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# ***CENTRAL EURASIA***



# FBIS Report: Central Eurasia

FBIS-USR-94-004

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## Russian Diplomacy, Results of Ashgabat Summit Scored

944Q0122A Moscow *SEGODNYA* in Russian  
No 104, 28 Dec 93 p 2

[Article by Sergey Parkhomenko: "Impromptu Diplomacy. The Results of the Ashgabat Summit: 'More Unanimous Than Ever Before,' and, As Usual, Meaningless"]

[Text] Failure. Among the 14 conferences of heads of CIS states held up to the present moment, the Ashgabat meeting during 23-24 December was not the first that one can confidently categorize as a failure for the Russian delegation. Representatives of the Russian Federation completed their mission quite ignominiously in all four major clubs whose sessions make up the traditional program of such summits—the councils of defense ministries, foreign affairs ministries, government heads, and presidents.

There was no dearth of analytical developments, conclusions, and recommendations prepared for the opening of the summit by specialists from the government apparatus, the Ministry of Foreign Affairs, and the administration, who were well oriented for the forthcoming discussion. And probably the simplest thing would have been to explain our current failure by the indisputable fact that Russian officials of the highest ranks who represented the Russian Federation in negotiations with their colleagues in the hateful Commonwealth again demonstrated their deep scorn for the work of their own experts. Documented results of the Ashgabat work of Boris Yeltsin, Viktor Chernomyrdin, Andrey Kozyrev, and Pavel Grachev are filled with the most impressive examples of that "impromptu diplomacy" whose unpredictable rules the Russian leaders have been following recently, unfortunately, not only in contacts with nearby foreign countries. Here are just a couple of examples.

For Russian specialists who are reliably informed about the political situation in the Central Asian region, there was no secret about the completely pragmatic objectives pursued by President of Turkmenistan Saparmurad Niyazov in arranging a full-scale meeting with Boris Yeltsin.

The only political result of the widely advertised program "Ten Years of Well-Being," which, according to the author's intention, was to have transformed the more backward Union republics into a flourishing "second Kuwait," was the rapid formation of a personality cult of the "father of all Turkmen." The efforts of romantics who hoped at least to look beyond its beggarly attributes to signs of an eastern autocratic tradition consecrated over the centuries ended in failure. The failure of the adventure with the hasty exchange of the ruble for the "freely convertible" (in fact it seems to be convertible by force and at an absurd artificial rate) meant only reinforced observers in their conviction that they were dealing with the remnants of an attempt to build socialism of the classical Soviet type in one separate emirate. It is not surprising that attempts by the political relic to establish contacts with the civilized world evoked in democratic states a reaction that was almost instinctual repulsion. The acquisition by Turkmenistan of the status of a full-fledged partner of the Russian Federation was intended above all to quell this reaction even though it

partially legitimized Niyazov's regime in the international arena. Hence the persistent initiatives of the Ashgabat leader to complete the bilateral Russian-Turkmen summit meeting with the signing of a large intergovernmental agreement.

When preparing for the visit, experts persistently recommended to members of the official Russian delegation: A firm condition for consent to the solicitation of the Turkmen elite must be the presentation of reliable guarantees of protection of the civil rights of the republic's Russian-speaking population. The policy of planned pressure on representatives of nonindigenous nationalities from the sphere of state administration, industry, education, and the Army leadership is just as typical of the Ashgabat regime as it is of the majority of its neighbors. The only difference lies in the much more skillful application of demagogic devices to mask ethnic purges and in the reliable control of the press, which could divulge cases of discrimination as well as the precise nullification of the activity of foreign observation missions. The flow of emigrants from Turkmenistan is steadily increasing all the while.

In these conditions to agree to the use of pseudoscientific euphemisms that distort the essence of the problem—such as "regulation of migratory flows" or "parity guarantees of assistance to resettlers"—would mean to encourage the outflow of the Russian population, forgiving in advance the future transgressions of President Niyazov's regime. There is no counterflow from Russia to Turkmenistan, and none is anticipated in the foreseeable future, the experts reminded them—this has to do with casting a policy of segregation in civilized form.

Nonetheless, the president of Russia, ignoring common sense, agreed to sign an agreement on dual citizenship. And the public exercise in a rare genre of political buffoonery—the ceremony in which Boris Yeltsin was awarded a Turkmen passport, ordained "an honored citizen of Turkmenistan," and declared to be the first possessor of dual citizenship—was the logical culmination of the bilateral division of the Ashgabat program.

A similar motif promised to become central at the multi-lateral summit. Specialists in the Ministry of Foreign Affairs and the administration of the president of the Russian Federation had prepared carefully for consultation on the draft "Convention on Ensuring the Rights of Individuals Belonging to National, Ethnic, Linguistic, Cultural, and Religious Minorities." The list of agreements suggested for discussion at the meeting, as usual, snowballed into almost 30 documents. But the draft convention promised to be perhaps the only one for which one could see a critical practical need and clear-cut political meaning.

The briefcase of Andrey Kozyrev, who went to the negotiations within the framework of the first official meeting of the Council of Ministers of Foreign Affairs in the entire history of the CIS, contained detailed comments on this draft. "Taking into account the priority significance of this convention for Russia," its authors pointed out, "it would be expedient to work for its adoption with a maximum number of participants and to have it signed even if other states object...." Objections could be expected primarily from the delegations from Ukraine and Uzbekistan, who



spoke out especially actively against the article of the draft according to which the agreeing parties would make commitments to "adopt legislative, administrative, and other necessary measures on their territory to prevent attempts at assimilation of minorities against their will...." Arguing this opinion in detail, the experts recommended insisting on the fairness of the Russian position and, if necessary, applying pressure to partners in the negotiations, linking the fate of the national majorities to the prospects for economic and military cooperation within the framework of the CIS.

But the chief of Russian diplomacy was either not in the mood or not in his best form. Or perhaps he was too impressed by the atmosphere of touchingly feigned hospitality created by the summit officials for highly placed guests (as distinct from the journalists, whose work was organized, let us note, in a simply disgraceful way). In brief, the convention did not reach the point of being discussed by the "presidential club." Mr. Kozyrev allowed it to be sent "for further work to joint groups of experts" for an indefinite period of time and with unclear prospects.

Equally doubtful for the Russian side were the results of negotiations on the economic and military sections of the program.

After congratulating Turkmenistan on its full-fledged (and not associated) membership in the economic alliance of the CIS, Viktor Chernomyrdin essentially welcomed the expansion of the group of contenders for a chunk of the meager pie of Russian technical credit. And it would be interesting to know what other result Russia could receive from an economic alliance with a state whose leader announces without special embarrassment at a press conference: "We have stood to gain from entering the CIS. We understand. It is just that we would not want for it to be

mandatory for the country to carry out the decisions made there...." Well, of course, that is it in a nutshell....

The diplomatic efforts of Pavel Grachev took an altogether unexpected turn. For example, the discussion about protection of Russian Army contingents in keeping with international norms and about granting them the status of military bases on foreign territory suddenly led to a point where Russia took over the burdensome and dangerous duties of protecting the borders of sovereign Turkmenistan. And the agreement of the minister of defense of the Russian Federation to revise the Collective Security Treaty at the insistence of the delegations from Georgia and Azerbaijan will inevitably bring Russia one step closer to direct participation in two open armed conflicts.

CIS executive secretary Ivan Korotchenya, it seems, is vigilantly keeping track of the adherence to the tradition according to which at every press conference that is the culmination of another summit they note the "warm atmosphere of cooperation and mutual understanding" of the participants. And neither did he fail to add the remark that in Ashgabat the agreements were adopted "more unanimously than ever before" this time. It seems that the Russian delegation was at great pains to help the observers describe this conference following the canon of the Bible story. If one wished, this form could even be considered appropriate for Christmas. Not Catholic Christmas, of course—it has nothing to do with this. In the capital of Turkmenistan the two-year anniversary of the birth of the Commonwealth, and, naturally, the breakup of the USSR, was celebrated with pomp.

The fate of the CIS at the end of these two years is unenviable. They are not being kind to the Commonwealth. They do not even sympathize with it. They are laughing at it.

### Benefits of Russia-Belarus Monetary Union Questioned

94P50079A Moscow *SEGODNYA* in Russian  
11 Jan 94 p 1

[Article by Aleksandr Bekker: "Belarus is Trying to Keep Russian as a Donor"]

[Text] In the very near future the interstate agreement on unifying the monetary systems of Russia and Belarus will be presented for signing. Government heads Viktor Chernomyrdin and Vyacheslav Kebich stated on 5 January that "the necessary preparatory work...has been practically completed," and certified the "achievement of a high degree of readiness of the monetary systems" for unification. Both passages in the statement do not seem obvious. Even with all its difficulties, the stability of Russian finances is significantly higher than that of its "Slavic brother." The negative balance in Belarus' trade has reached more than 100 billion rubles [R], its rate of inflation is 20-25 percent higher than Russia's and the exchange rate of the surrogate "zaychik" to the ruble is 4.5:1. At the same time, the level of wages and pensions of our neighbor exceeds that of Russia by three times.

The motives which are compelling the Belrusian leadership to force monetary integration are extremely transparent. First of all, union, judging by the words of the Belarusian Central Bank chairman Mr. Bogdankevich, is thought of according to the artificial exchange rate of 1:1, thus Russia is supposed to allocate approximately R1.6 trillion to maintain currency circulation. Secondly, the need for our neighbor to pay for energy sources in freely convertible currency will disappear, and the possibility of raising the question of "brotherly" prices—like those for Russian consumers—appears. Thirdly, the Belarusian taxpayers are saved from the excise tax, while in Russia oil and gas are subject to a strict tax.

Despite the optimism of the two countries' prime ministers, the Belarusian side has still not expressed its readiness to

sign the agreement on the single mechanism for managing the budget systems, which indicates their wish not to come under Russian control. The situation becomes even more understandable taking into account the agreement, already signed by Gerashchenko and Bogdankevich, on the schedule for unifying the mechanism for the function of the common monetary system. According to this agreement, the Central Bank of Belarus has the right to establish credit limits and to grant licenses to banks on its territory, while the Central Bank of Russia "is to ensure satisfaction of the basic (? A.B.) requirements...for currency bills."

Thus Belarus maintains its political independence, including an independent emissions bank and an autonomous budget, which, as is known, is the main catalyst of inflation.

There is no precedent for unifying monetary systems under similar conditions. Consequently, it is possible to discuss the seamy political issues of what is going on. The striving by the high officials of the Russian Central Bank to reanimate, even in a truncated version, the monetary-credit [system] of the USSR is an open secret. There are supporters and collaborators in the government. However, one must think about the economic consequences of such a "mutually beneficial" union for Russia. There is still one tricky obstacle. Belarus is not opposed to the agreement being implemented by decree of the Russian Federation government, bypassing the State Duma. It is not difficult to guess that the opposition would not hesitate to use this as grounds for accusing the president and the cabinet of ministers of betraying national interests.

In September during the signing of the agreement on creating a ruble zone of a new type, Belarusian Supreme Soviet chairman Stanislav Shushkevich delicately posed the question of writing off his republic's debt to Russia. Hastening the current agreement, Belarus apparently wants to keep Russia as a financial donor and achieve with a "caress" what Kazakhstan and Uzbekistan did not succeed in with pressure.

## ECONOMIC AND SOCIAL AFFAIRS

## Shatalin, Others on Reform in 1994

944K0550A Moscow LITERATURNAYA GAZETA  
in Russian No 51-52, 29 Dec 93 p 10

[Report on interviews with leaders of leading economic-analytical centers of Russia; places and dates not given: "A Year of Hope and Disenchantment"]

[Text]

1. How do you assess the results of the economic reforms in 1993?

2. What, in your opinion, should we expect in 1994?

These questions are answered by leaders of the leading economic-analytical centers of Russia. The materials will be published in full in the international journal DELOVYYE LYUDI (No. 12, 1993 and No. 1, 1994)

Yevgeniy Saurov, Director of the Center for Information and Social Technologies under the Government of the Russian Federation: "Pouring Dollars into Mercedes Is Not Farsighted"

1. The experience of two years of reforms convinces us that we have climbed onto an "economic roller coaster." In the winter, by compressing the monetary mass we slow up the rates of inflation. In the spring, by advancing credit we return to our previous positions. Depending on the rates of inflation, the level of production increases somewhat or, especially during August-September, its decline increases. This is the second year in which we have been living in such a cycle.

The amplitude of the fluctuations is somewhat less this year. It is still unrealistic to speak about putting an end to inflation. 1993 was a year of in-depth study of the market by enterprise leaders. While last year everyone went through what might be called the introductory course, now they feel like sophomores. There are more enterprises which are not certain whether they will survive or not. Those that are not viable, of course, do no good for the economy. They must be reprofiled, showing concern for retraining the people. This work is already underway during the process of privatization. This is a gratifying phenomenon. There are also points of great tension—the coal industry, for example.

I have my doubts about the published data on the decline of production. It is fairly great. But it is linked primarily to the reduction of military orders. To the reduction of the "self-consuming" production of machine building. To the reduction of the output of poor-quality products. While a year ago there was a plethora in the viable branches, in 1993 signs of a positive structural change appeared during the slump. Thus things were not bad in the construction materials industry. There was a very slight growth in housing construction, mainly because of the individual sector. But the situation with electric energy is alarming: With all the problems of the economy, the consumption of kilowatt-hours is not decreasing. The country has forgotten about economizing on resources. What prices must we have for energy resources so that consumers will finally begin to be concerned about economizing on them?!

It is bad that the dollar is not being put to work in the country. Entrepreneurs, as before, prefer to keep their hard currency abroad. There is a great disparity between exports and imports. This is evidence of a prolonged poor condition in the economy. The result of distortions in legislation and political instability. Measures of law enforcement organs cannot solve such economic problems. Russia can obtain a significant influx of currency not from foreign investors but from "their own," those who are keeping their dollars abroad. Putting them into circulation in the West, our ill-starred entrepreneurs have a poor idea of the rules of the game in local markets and are not aware of the immense risk to themselves. Incidentally, the risk in Russia is even greater. This means that we must seriously create conditions for business at home.

The fact that domestic prices are coming close to world prices threatens to strike a blow to exports. Only high-quality products can be moved. The game involving cheap raw material and a cheap work force is coming to an end. But high quality requires expenditures: the purchase of new technologies and so forth. Pouring dollars into Mercedes is shortsighted. A new reality will be clearly manifested in the forthcoming year.

The year 1993 was marked by development of reforms. It proceeded as though of its own accord, with less participation by the government, and with a smaller degree of state regulation. The year showed that a fairly serious, aggressive business has appeared in the country although, true, it is not very civilized yet. It is in a state of development.

2. It is difficult to predict the situation today purely economically: a great deal depends on political decisions. In the absence of a pro-inflation parliament the government might possibly be able to hold down the mass of money better throughout the winter. But inflation could be significantly encouraged by campaign promises and difficulties in relations with the regions.

We will not manage to reduce inflation significantly in 1994. The other danger—unemployment—might become serious. Not catastrophic, but in any case it is very undesirable. It is necessary to make the designation of social protection more specific. As one of the developers of the new housing system I am particularly against the same low payment for service for privatized apartments for low-income families and for Konstantin Borovoy. The income level must not be ignored.

The year will not bring the country out of its crisis. But I hope that there will be more appreciable outcroppings of hope than there were this year.

**Stanislav Shatalin, Academician, President of the International Fund for Economic and Social Reforms, and Sergey Fateyev, Chief of the Department of Reform Strategy of the Fund: "It Will Not Be Possible To Compensate for the Collapse of the Social Sphere"**

1. It is not easy to give an assessment during a transition period. There are at least two groups of criteria that lie on completely different planes. The first are the directly macroeconomic indicators of current development, and the second are the institutional changes (since we are speaking about reforms).



As for the first group of criteria, regardless of what has been said about signs of "stabilization" in the economy, a sober analysis of the results of three quarters of 1993 (there were no statistical data for the fourth quarter by the time this text was written.—Ed.) shows the opposite. The decline (as compared to three quarters of 1992) in the majority of productions did indeed slow up, but stabilization as a condition of steady equilibrium and the appearance of signs of upsurge did not occur. As a rule, the slowing up or even termination of the recession in certain months in certain branches was then replaced by a drop in production. Based on seasonal and random factors it is still impossible to draw a conclusion about stabilization. Taking into account the real condition of production capital in the majority of branches, and the continuing imbalance in the national economy, one can state that the "low point" has not yet been reached. Incidentally, if one considers the situation in retrospect it is not inappropriate to recall that government representatives have already repeatedly reported "signs of stabilization," but the time frames for it are constantly being moved back.

The same thing can be said about inflation, the budget deficit, etc. The reduction of the monthly rates of inflation by the summer of 1993 from 25 percent to 17-19 percent was replaced in August by an increase almost up to 30 percent, and then again a certain slowing down. The reduction of the budget deficit was again followed by an increase.

The standard of living of the population has continued to decline. According to our estimates, the inflation index from September 1992 through September 1993 was 1,254 percent, while the growth of monetary incomes of the population during the same period was 1,037 percent. The instability of economic development during 1993 was accompanied by a collapse of the social sphere, which it has not been possible to compensate for in recent years even with the active formation of new principles of social policy.

In general, economic development throughout almost all of 1993 proceeded under conditions of a keen political struggle, and this fact alone could in no way contribute to economic stabilization.

As for constitutional changes, that is, reformation as such, here without any doubt there have been certain advances. The number of privatized enterprises has increased significantly and privatization has indeed become irreversible, although it is frequently of a formally legal nature. The structure of property is changing, all the new elements of the market infrastructure are being created, and production is beginning to react to demand. Nonetheless, since these processes are taking place in an extremely unfavorable general economic situation in which a high degree of monopolization is retained in many cases, the changes are occurring randomly and without control.

Unless there are positive structural changes, under conditions where price disproportions remain there is still the probability of the creation of a pseudo-market with all the consequences that ensue from that. Therefore, in our opinion, although 1993 brought certain positive changes

on the industrial plane, they are still clearly not sufficient to enable us to speak about the success of the reforms even in this area.

2. Naturally, there is no justification for speaking of any economic advancement in 1994. As we know, the future of the economy is being set today and yet the investment climate throughout 1993 remained extremely unfavorable for the majority of branches—the enterprises do not have the reserves for successful operation.

What features of development in 1994 can be predicted as the most probable? The overall decline of production will continue, although at slower rates. At the same time the decline in certain branches will begin to be partially compensated for by advancement in others. There will be increased differentiation in the economic position of the regions. The high level of inflation will remain. It will be practically impossible to reduce it to less than 10 percent per month. The task will be to learn to pursue an industrial and social policy with a high level of inflation.

On the whole, there should be no economic catastrophe next year. At the same time, if 1994 does become the beginning of stabilization (which is not very likely), the completion of this process will take an extremely long time and can by no means be done within a year even with the most optimistic predictions.

It is extremely likely that we will manage to stop the decline of the standard of living of the population. Problems of employment will be aggravated, but unemployment will not develop to the point of a national catastrophe.

The problem of bankruptcy will definitely make itself felt in 1994, including, probably, among enterprises that have undergone privatization. Moreover, it is likely that some of the bankruptcies will be caused by shortcomings and mistakes that occurred during the period of reforms and flaws in the market infrastructure that is being formed. It is impossible to rule out a series of financial failures in the security market. On the whole, 1994 will more likely show a readiness to overcome new difficulties rather than the possibility of really "seeing the light at the end of the tunnel."

**Yakov Urinson, Acting Minister of the Economy of the Russian Federation, Director of the Center for Economic Market Conditions and Prognostication under the Russian Federation Ministry of the Economy: "The Results are Contradictory, But the Balance Sheet Is Positive"**

1. The results of the reform in 1993 are extremely contradictory. On the one hand, the elimination of the plan-distribution system has been completed and the process of liberalization (of prices and domestic and foreign trade) and privatization has continued. Goods, although they are much more expensive, have filled the shelves of stores and wholesale warehouses. Although the ruble has lost value, the functions of the main means of payment in cash and noncash settlements lost at the beginning of the reform have been restored. At the center of public interest directives of the state plan have been replaced by finances and budget, monetary circulation and credit, hard currency exchange rates, and customs tariffs.



People have stably accepted the higher cost of living, the weakening of state paternalism, and the economic instability. Some have changed the structure of consumption and begun to spend most of their income on food, while others have changed their employment and found additional earnings, and still others have entered into entrepreneurship.

After the decline of the gross domestic product by 20 percent in 1992, in 1993 it decreased by no more than 12 percent. In 1993 investments are decreasing by 10 percent (as against 40 percent in 1992). A positive foreign trade balance is forming in Russia (true, mainly because of a reduction of imports). After the sharp reduction in 1992 (approximately twofold) the actual monetary incomes at the disposal of the population this year are expected to increase somewhat (so far only in the range of 5 percent).

But on the other hand, against the background of the already low standard of living, there has been an increase in the differentiation in the well-being of groups of the population at opposite poles. There have appeared not only legal millionaires, but also people who are officially registered as unemployed. Certain defense plants have been left without government orders and there has been no effective demand for the products of many state enterprises. It has turned out to be necessary to interact with republics of the former Soviet Union in the economic sphere as with foreign states, that is, on a mutually advantageous basis, and the maintenance of a ruble space without regulating and formalizing monetary-credit relations among the countries included in it disorganizes the economy of Russia.

In addition to this, subjective factors have manifested themselves in a certain way as objective processes, having a negative effect on the reformation of the economy. The "gift" financial resources aimed at eliminating the consequences but not the causes of the nonpayments, cheap credit for state enterprises, subsidies for agriculture and the coal industry, subsidization of regions, and "technical" credits for republics of the former Soviet Union—all these served as an impediment to the formation of a mechanism for feedback between production and demand. Under conditions of inflation the enterprises began to transfer their relatively free monetary funds into a consumption fund or to apply for freely convertible currency. The former increased the mass of money in the hands of the population and stirred up inflation even more while the latter prompted a decline in the exchange rate of the ruble on the foreign currency market. The situation was exacerbated by the unjustified social payments (higher pensions and labor compensation in the budget sphere) and a random growth of wages (including under pressure from strike ultimatums).

It is especially dangerous that in 1993 institutional changes regulating the behavior of commodity producers slowed up drastically. As long as they do not bear real property liability for the results of their activity and as long as unviable enterprises of the state enterprise continue to receive support from the budget, the inflationary process will apply more and more pressure to the economy. The consequences of inflationary financing of the economy: retardation of the structural rearrangement, increased

energy and material-intensiveness per unit of GDP, growth of the budget deficit, and a new (August-fall) cycle of inflation.

But still the overall assessment of these positive processes and negative phenomena is clearly positive. The country will enter 1994 with a significantly altered economy.

2. In 1994 it will be necessary to restore a strict financial policy on a qualitatively new level, consistently reduce the state budget deficit to a tolerable level, and hold back the growth of the mass of money. As calculations show, this will make it possible to limit inflation to 500-600 percent (as compared to 1,100 percent in 1993). By regulating the bank interest rate at the same time it will be possible to create the necessary preconditions for invigorating the capital market and stimulating private savings, and in the next cycle—investments as well. Such measures must be conducted resolutely, but in a balanced way. It is also necessary to give a new impetus to the process of privatization and overcome the obstacles that have been artificially erected on its path. At the same time it is extremely important for enterprises remaining in the state sector of the economy to revise the legislative base for their economic activity in reduced periods of time. The finances of these enterprises must be clearly separated from state finances.

Within the framework of the strict restrictions that are dictated by the requirements for financial stabilization, support (through government orders, preferential credit, and direct budget financing) must be given to enterprises with all forms of ownership selected in keeping with strict criteria and nationwide priorities.

During the course of the market transformations there will inevitably be an increase in unemployment (in 1994 it will be necessary to find work for about 4 million able-bodied citizens) and an aggravation of problems of social protection. This means payment for structural rearrangement and increased effectiveness of the economy. The task of the federal government and local authorities is to minimize this payment and render special-purpose social support to segments of the population that objectively need it, granting capable citizens the broadest possibilities of manifesting initiative, increasing labor productivity, and participating in entrepreneurial activity.

With the implementation of the aforementioned parts of the economic reform in 1994 the budget deficit will decrease to an acceptable level. The decline in production will not exceed 5-7 percent and it will assume a structural character. There will be some increase in the incomes actually at the disposal of the population. The population and enterprises will gradually begin to form natural savings. With the achievement of a positive rate of bank interest, investment activity will increase. During the process of structural rearrangement of production there will be new "points of growth" and within two or three years there will be a period of stabilization of the economy in its renewed form.

**Grigoriy Yavlinskiy, Chairman of the Board of the Center for Economic and Political Studies (EPITsENTR): "The Situation Will Remain Difficult for Entrepreneurs"**

1. On the whole the process of economic reforms was not marked by the achievement of any significant positive results.

Inflation (the consumer price index) remained steady at the level of 20-25 percent per month. And this is in spite of the fact that the government made certain efforts to restrict the growth of the mass of money (the issuance of credit, expenditures from the state budget). Measures aimed at limiting the aggregate demand were relatively successful. But a result of this policy was a further decline of industrial production and not a reduction of the rates of inflation, whose development was generated by inflation of expenditures, against which the policy of restricting the aggregate demand had no effect. Therefore the Russian economy in 1993 experienced almost constant price shocks in various sectors. In the macroeconomic sense the situation was exacerbated also by the practice of monopolistic price setting and the failure of the antimonopoly policy, in whose implementation the government is experiencing many difficulties.

As compared to 1992 the decline in industrial production slowed up (especially during June-August) but one must keep in mind that the recession in 1992 was very severe. All government announcements made during February-March 1993 about stabilization of the volumes of industrial production ignored the seasonal nature of this phenomenon and, as usual, during May-June there is a traditional reduction of the volumes of production, while August-September is a time of seasonal upsurge. On the whole as compared to 1992 the decline in the volumes of industrial production amounted to approximately 13-14 percent.

In the area of privatization of industrial enterprises the results of the 1993 policy may be characterized by the word "collectivization." In essence we are seeing the appearance of enterprises that are in the hands of collective owners. The result of this kind of privatization is obvious: great difficulties in finding investors. For one must keep in mind that the position of Russian industry is very difficult—underinvestment has become extremely widespread and the condition of the equipment in many branches is terrible and must be replaced.

In trade, privatization has led to the creation of monopolistic markets in many cases. These monopolies exist because of the fact that trade enterprises are connected to the local authorities. Hence all the "charm" of the unregulated monopoly: price support to the detriment of the consumers, outlays increased because of the absence of competition and a high profit norm, sales volumes below those on the competitive market, and closing off of access to the market for other sellers.

In spite of the fact that in 1993 there were successes that may be characterized as partial (a large positive trade balance and a certain stabilization of the exchange rate of the ruble), nonetheless for the entrepreneurial sector of the economy the situation remains very difficult. This is largely the result of the political uncertainty, the lack of

clear guarantees for private property, the imperfection of legislation, corruption in all echelons of power, an increased number of crimes against entrepreneurs, and the impossibility of engaging in business on the basis of honest competition.

2. Government actions will have a large impact on the condition of the economy in 1994. Nonetheless there are macroeconomic variables that are relatively unaffected by any actions of state power.

Under today's conditions this is primarily inflation. In 1994 it will be high as usual—high and unpredictable enough so as to impede the development of the medium- and long-term credit market, and this means that we have little hope of modernizing industry relying on the mechanism of positive interest rates.

In the second place, this means a decline in industrial production. Even according to the most optimistic version, the slump will continue. True, apparently it will not be as deep as in 1933, and the more so in 1992. But one should keep in mind that even if stabilization is achieved at the end of the year (which is not very likely), it will occur at the level of only 50 percent of the physical volume of industrial production of 1989!

A great deal depends on the policy the government pursues in the area of demonopolization and control of monopolies and whether or not it decides to recognize in both word and deed the adaptation of economic institutions to the conditions of high inflation without abandoning the cautious fight against inflation through restricting aggregate demand, and also on the reform of economic legislation. Within the designated framework it is possible to have a broad choice of measures of economic policy. And the results of 1994 could vary a great deal depending on the decisions that are made.

**Economic Program Prospects for Leading Blocs in State Duma**

944E0355A Moscow KURANTY in Russian  
No 247, 24 Dec 93 p 4

[Article by Vasily Selyunin: "After the Elections: Whose Program Is Realistic?"]

[Text] At KURANTY's request, noted economist and commentator Vasily Selyunin has researched and compared the feasibility of the three electoral coalitions that got a considerable number of seats in the State Duma fulfilling their economic programs.

I will deal with only the main directions of the programs.

Let us start with the Russia's Choice program. It does not contain populist promises or idle talk. Priority problems are clearly identified, and the program says what needs to be done and how.

The cornerstone is bringing down inflation, that is, bringing it down to 3 percent a month by the end of 1994. This is a bit too much as compared to countries with stable economies (which have 2-4 percent a year), but it would still make our life easier than it is now. In August inflation was 28 percent; in September a little less—22 percent; in

October—24 percent; and in November—15 percent. I should note that how steadily inflation subsides will depend on how we all work.

It was inflation more than anything else that pushed the voters into Zhirinovskiy's embrace. It irritates people more than high prices and a low standard of living, especially considering that in 1993 the latter rose somewhat as compared to 1992, although we still have not returned to the standard of living of the relatively prosperous years. The entire decline in the standard of living occurred during the first year of reforms.

Our country is not the first or the last to fall into the inflation trap. Inflation, like an invisible thief, picks every pocket. It would seem that people are already paid relatively well—the average monthly wage in Russia has long exceeded the 100,000-ruble [R] mark, but this money melts away in front of our very eyes. You have to run and buy something quick, because prices go up instantly. I would not even mention that at this level of inflation it is impossible to save rubles. Every family loses in this respect, and the poor more than all the others.

If we manage to bring inflation down, every family will benefit, too. This will by itself raise the standard of living. Besides, capital investment is only possible after inflation has been reined in. There are no precedents in the immense history of the world of investment and growth of production beginning before inflation is brought down. This does not happen.

That is why Russia's Choice did not promise that next year would be a year of economic growth, rather that the work of the government should create the preconditions for it beginning in 1995, provided there is stability in the country. Do not jerk the government; give it a year to work normally, and the conditions will be laid down for Russia's development for the next 10-15 years. Then you will not recognize our country. After all, there has been a Japanese miracle, Italian, Spanish, and German... There will be a Russian one, too. But it took every country 10-15 years. This is a normal time frame. It is silly to believe in a fast—and double at that—increase in the population's income, as LDPR [Liberal Democratic Party of Russia] leader Zhirinovskiy promised.

Taxes are another acute issue in the programs, which affected voter sympathies. Russia's Choice said honestly: It is impossible to cut taxes right now. And I will add that lowering them would be useless from the standpoint of economic development. Until inflation is brought down, the benefits accrued to tax-paying goods producers would immediately go into raising salaries rather than investment. Income freed from taxes would be converted to wages. And nothing else.

The Russia's Choice program envisages three kinds of taxes. The greater part of the tax on profit and value-added tax remains in local budgets. These are local, or municipal, taxes. There are regional taxes, which are collected, for instance, into the budget of an oblast, kray, or republic. In my estimation, approximately one-third of all taxes should be transferred into the federal budget. This sensible taxation creates an economic foundation for staving off sov-  
eignization of Russia's regions. Create conditions for local

enterprises' operations and collect taxes from them for the local budget, because they are mostly local.

Draft laws are ready on real estate taxes and introducing a tax for use of natural resources. Most countries do this. The total sum of taxes does not increase; it is simply that part of it is shifted from tax on profit into tax on real estate and natural resources.

The program for bringing inflation down is realistic, and it is already being implemented. Taking advantage of the fact that nobody interfered with the government's work over the past few months, preferential credits to sectors and enterprises were suspended already in September. I was baffled, though, to see the president sign an edict giving agriculture preferential credit in the amount in excess of R300 billion a few days ago. This is an unpleasant deviation from the program, but not a catastrophic one. In essence, it is again propping up kolkhozes and sovkhoses, and one can see why: the agrarian lobby is pushing it.

Tax preferences with respect to tax on profit and value-added tax have been reduced. So many preferences have proliferated that nobody knew any more who was supposed to pay taxes to the treasury, and how much.

Another anti-inflation measure: All import subsidies have been removed, except subsidies for purchases of medications and medical equipment. Until recently such subsidies consumed 12 percent of total national income. Now if you want to buy something for dollars—be my guest, but buy your dollars at the current exchange rate like everybody else and stop begging the treasury for cheap hard currency. There had been incidents when the treasury, sympathetic to someone in a bind—textile producers need to buy dyes, they would say, and car makers need to buy equipment (everyone had a good reason)—sold dollars tens or even hundreds times below their market value.

Various nonbudget funds have been merged into budget funds, that is, they came under the jurisdiction of the government. This is also a serious anti-inflation measure. It is outrageous when the means of nonbudget funds exceed the entire Russian budget, as happened last year. The pension fund had been under the control of the Supreme Soviet; social security by tradition was the province of trade unions; the fuel and energy complex had its own fund; and so on... The result was that the government had under its control a smaller part of national finances than the agencies that controlled nonbudget funds. It is impermissible for several financial systems to operate within one country.

I am enumerating only those anti-inflation measures that have already been implemented or are in the process of being implemented; this means that the Russia's Choice program is quite realistic as long as they stick to it.

Of course, anti-inflation measures are harsh. If, for instance, a defense enterprise does not get preferential credit, it may potentially face bankruptcy, which will cause unemployment and possibly a social explosion. But unless tough anti-inflation measures are taken, we will see a Ukrainization of the Russian economy. What this entails is quite graphic. There is no alternative, and Russia's Choice said so honestly, which is the main distinguishing feature of this program as compared to others.



Ninety percent of the major program planks of G. Yavlinskiy's bloc probably coincide with the Russia's Choice program. Nevertheless, each plank in Yavlinskiy's program is preceded by berating the government: We would have done it better! Naturally, they do not say how.

There is, however, one principal difference. G. Yavlinskiy proposes to stretch the anti-inflation program through 1997. Broken down by year, it looks like this: 1994—monthly inflation at 15-20 percent, that is, it remains at the current level. In 1995—10-15 percent a month. In 1996 inflation will be reduced to 3-8 percent, and in 1997—2 percent a month.

Now let us look what a monthly inflation of 15-20 percent will bring us next year. Prices will rise 10-fold over the year. This year we also had a ninefold increase in prices, and we say quite correctly that it is impossible to go on living this way.

If the current rate of inflation remains for the entire 1994, as G. Yavlinskiy's program proposes, it will, of course, create a reserve for the implementation of social programs and support for priority sectors in production. But this will be support provided by paper money not backed up by anything, or by empty figures in noncash transactions.

I cannot say that stretching the anti-inflation thrust is the result of evil intentions or thoughtlessness. The leaders of this bloc see the situation differently and, in my opinion, overestimate the potential for social explosion resulting from some sector not getting subsidies or the absence of new social programs. But it has already become clear to the population that when production declines, handing money out to enterprises does not raise the standard of living.

G. Yavlinskiy's program envisages budget investment in sectors that act as locomotives, that is, those that will pull along other sectors and bring them up. At the top of the list, however, are budget investments in...the space program and aviation industry, followed by housing construction. Of course, the Russia's Choice program, too, envisages support for some sectors, but why give the space program priority? Such priority seems very questionable to me, because the treasury's ability is very limited. And, as I have already mentioned, budget investment is completely impermissible. We are already fed up with it. Practically all investment in the Soviet economy came from the budget, that is, from the state.

We had 500,000 ongoing construction projects, spreading the money thin, burying it into the soil and foundations, and did not properly complete a single needed construction project. And what we did build turned out to either be harmful, such as canals, or a nonpriority, such as the BAM [Baykal-Amur Main Line], because it was the state that decided where to put the money.

Budget investment may be justified perhaps in construction of housing for the poor and perhaps in railroads with the participation of private joint-stock capital. But, I repeat, investment, especially private (which should comprise the predominant part of it), is only possible when the ruble is stable, not in the conditions of 15-20 percent a month inflation. There are no fools.

G. Yavlinskiy's program also contains purely populist promises; for instance, it promises—and at a rather high

level at that—budget support for science and culture. If this is so, it would be good to be more precise regarding at whose expense such support would be achieved. Science will get support, but someone else's share in the budget will be reduced. Whose? Pensioners? Teachers or doctors; builders or miners? There is no other method of budget financing.

Over the past three years the share of science and culture in the budget has not diminished, but remained at the same level. But in real rubles, of course, the magnitude of appropriations has dropped by about 30 percent. The share of science and culture in the budget will be filled with increasingly greater amounts of money not expropriated from others only as the economy begins to pick up.

It is more difficult to comment on Zhirinovskiy's economic program, since it is scattered all over in verbal statements and publications, although some points of it have been announced. As an economist, however, I cannot seriously analyze it. The program consists of a bunch of populist promises, most of which cannot be fulfilled. Those that are in fact realistic already have been or are being implemented by the government, but Vladimir Volfovich still makes these promises.

His biggest promise to the voters is to double the population's real income in a matter of six months.

"How do we do that?" Zhirinovskiy was asked. He named two major, in his opinion, sources.

First—stop nonrepayable aid to CIS countries. But the government has already done this. Beginning 1 January 1994 Russia will trade with CIS countries only at world prices. Nonpayments or debts of former republics have been converted into credits. True, the interest rate is a bit low, but we cannot get more from them. So, the first source of immediate enrichment for the population named by Zhirinovskiy already has been exhausted.

The second source, in his opinion, is to stop conversion and sell arms. He told the public the figure of earnings from arms sales: allegedly \$30-32 billion a year. Such earnings have never existed, and cannot be real. Theoretically, the USSR sold this much worth of arms. But last year income from arms sales was slightly less than \$2 billion. And prior to that Russia did not get anything for arms deliveries to regimes friendly to the USSR. All in all, the Communists left Russia an "inheritance" of \$130 billion. This is how much has been handed out to other countries, and mainly it is debts for arms shipments. None of the debtors has ever paid or intends to pay. It is hardly realistic to demand these billions in payments. India and Egypt pay some, but this is small change. Cuba alone owes us \$18 billion, and they are merely laughing: the debt we incurred was not to Russia, they say. Thus, earnings of \$30-32 billion a year from arms sales belongs in the realm of nonscientific fiction.

Thus, the sources through which Zhirinovskiy promised to double the population's real income in six months simply do not exist.

His program also promises support for state enterprises, but it does not say how this would be done. If it is support through preferential credits, inflation will have to be let loose.



I do not think I need to repeat what will happen next....

V. Zhirinovskiy promises regulated prices. As it turned out, this is the most desirable device in the understanding of most voters. But if we begin regulating prices, we will inevitably have to freeze wages. Otherwise, wages will jump, and with fixed prices the population will sweep the stores clean. As a result, the stores will be empty and money will be worth absolutely nothing. In this respect, too, Zhirinovskiy proposes a Ukrainization of the Russian economy without using this particular word.

The harm done to Russia by Zhirinovskiy's foreign policy statements is already obvious; this is being enunciated quite clearly. Through Zhirinovskiy's efforts, NATO is moving closer to Russia's borders; Ukraine has practically rejected nuclear disarmament; he has threatened Japan with a nuclear bomb, and all of us—with friendship with S. Husayn.

Zhirinovskiy is war, poverty, complete disintegration of the economy, and hyperinflation.

#### Sociological Polls on Tendencies in Current Political Climate

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No 244, 21 Dec 93 p 4

[Article by Nugzar Betanli, director of the Institute of the Sociology of Parliamentarism: "Predictable 'Sensation'"]

[Text] *Such a thing cannot be because it cannot be—such was the reaction of certain politicians to the drop in ratings of democratic blocs before the elections.*

Elections to the Federal Assembly have been held, but the political situation in Russia has heated up to boiling point again. Numerous discussions, of which there have been so many in this century, have been concentrated around ancient Russian problems: "Why did 'some' win and 'others' lose?" "Who is to blame?" And so forth. Understandably, historians and political scientists will be able dispassionately to answer these and many other questions much later, when the passions have died down, and when the gaze of the observer, his personal evaluations suspended, sees "only the facts." But both "then" and "now" it is useful to know the social attitudes of the voters. And what predetermined precisely this development of events in the country.

Weekly public opinion polls conducted by the Institute of Sociology of Parliamentarism in Moscow over two years now made it possible to note long before the present day many sociopsychological peculiarities and tendencies in the development of the current political situation. Some of them were confirmed once again on the eve of the elections—as a result of a comparative analysis of the figures from two large-scale public opinion polls of the adult city and rural population of Russia (the first poll was taken during 25-30 November, the second poll during 2-7 December). The polls were conducted by the Institute according to a standard methodology in all 12 of the country's main economic regions: Northern, North-western, Central, Volga-Vyatka, Central-Chernozem, Volga, Northern Caucasus, Ural, Western Siberian, Eastern Siberian, Far Eastern, and Kaliningrad Oblast, including Moscow and St. Petersburg. The samples—6,000

respondents each—reflect the main sociodemographic characteristics of the general totality of the country's adult population.

As the analysis showed, the results of the election to the Federal Assembly depended on two polar and, seemingly, mutually exclusive tendencies. On the one hand, in the society at the level of mass consciousness and self-awareness there was a clear uncertainty and instability of political preferences of the voters. Many "were prepared to vote" but did not know "for whom" and were "considering" right up until the last moment. All this increased the significance and decisive role of persuasion and pre-election propaganda.

On the other hand, on the level of the mass subconscious, the behavior of the voters was influenced by a fairly rigid "system" of sociopsychological principles that were already in place. And this, in turn, threatened to neutralize the effectiveness of any propaganda unless it corresponded to the expectations of the audience. In other words, people were inclined to perceive only that which corresponded to their views. Therefore the outcome of the elections depended largely on the degree to which the parties and blocs were able to take advantage of these and other tendencies. Judge for yourselves.

Both the polls and the elections revealed a fairly high degree of political activity on the part of the country's voters. Incidentally, half of them (52 percent) simply intended to participate in the voting, while another 12 percent were inclined "to participate rather than not participate." The problem, however, consisted in that even on the eve of the elections public opinion was not sufficiently formed. At least by 7 December, 65 percent of Russian voters (according to their own self-assessments) had not made a final decision about whom to vote for, and only 35 percent of the voters had already made this decision. But even the voters who had decided to participate in the elections and named their possible "elected officials" during the poll did not have finally formed opinions either. Approximately 50-70 percent of the supporters of one party or bloc said that they had not finally decided who to vote for.

Moreover, many voters did not understand the principal differences in the party programs, and the set of campaign promises for a "better life" among the majority of candidates was fairly standard. It is not surprising that under these conditions a decisive role began to be played not so much by political programs and platforms as by the "acting mastery" of the politicians.

It is curious that, according to the assessment of Moscow voters at the end of November, the statements and political advertising they remembered most were those of the Liberal Democratic Party of Russia (V. Zhirinovskiy)—indicated by 14 percent, the Russia's Choice bloc (Ye. Gaydar)—11 percent, and the Democratic Party of Russia (N. Travkin)—9 percent. The statements of other parties were remembered by many fewer. Incidentally, according to the assessment of 17 percent, "they did not remember anything," and 21 percent—out of principle "did not look, did not listen, and did not read all that," and 21 percent—"found it difficult to determine their opinion."

Incidentally, many thought and still think that the ones that could win the election were those that have "money" (this is what 28 percent of the Moscow voters thought), "press, radio, and television" (23 percent), "power" (21 percent), and "the support of B.N. Yeltsin" (20 percent) and not those "who defend the interests of the people" (16 percent) or "who have more of the truth" (9 percent).

But nonetheless, as life showed, "money," "propaganda," etc., with all their significance, were clearly inadequate factors. The mechanism of social principles and social expectations of the voters entered into the "fate" of the elections.

According to predictions of the Institute of the Sociology of Parliamentarianism, in the elections to the State Duma "in terms of the party slates" the Liberal Democratic Party of Russia led, and it was followed by the Russia's Choice bloc. The basis for this assumption was, in particular, the fact that on the eve of the elections to the State Duma (poll of 2-7 December) 17 percent of the voters who voted were inclined to cast their vote for the LDPR, for Russia's Choice—16 percent, for the Yavlinskiy-Boldyrev-Lukin bloc—13 percent, the Communist Party of the Russian Federation—12 percent, the Democratic Party of Russia—10 percent, Women of Russia—6 percent, the Agrarian Party—5 percent, and the PRES [Party of Russian Unity and Accord]—5 percent.

Let me remind you that according to the data of many respected sociology colleagues, the success of the LDPR in terms of the party slates did not significantly exceed the 5-percent mark, and Russia's Choice received barely a third of the votes from Russian voters. It is clear that this is not about the arithmetic precision of the predictions but about tendencies that were observed. And the attempt of the Institute of the Sociology of Parliamentarianism ("Novosti," Ostankino 25 November) to draw the public's attention to the drop in the rating of Russia's Choice met not only with a complete lack of understanding but even attacks from certain upstart "sociologists." Incidentally, now that our Institute's prediction, according to the preliminary results of the voting, was basically right, none of this is of interest any longer.

Something else is crucial: a comparative analysis of the data from the two all-Russian polls shows that even at the end of November (the poll of 25-30 November) the level of support for the LDPR from Russian voters was 16 percent of those that intended to vote, and Russia's Choice—also 16 percent. And the key to the analysis of the results of the election must be sought not only in the "good television propaganda" of some and the "poor propaganda" of others, but also in deeper processes in the social psychology.

Thus the majority of Russians (75 percent) are dissatisfied with their present life to one degree or another. Of these, 23 percent "are more dissatisfied" and 52 percent are simply "dissatisfied" with it, while another 5 percent "find it difficult to decide" and only 20 percent are satisfied with their life to one degree or another: 8 percent—"satisfied," 12 percent—"more satisfied than dissatisfied."

The prolonged economic crisis and the growth of crime have led to a situation where in the structure of the values

of the population of Russia there is a marked predominance of an orientation toward a "high standard of living" (73 percent) and "public law and order" (67 percent). Although values of material well-being and order are traditional both for Russia and for the Western countries, never before in recent years has the demand for democracy and freedom of speech been expressed so weakly: "Participation in the adoption of important political decisions" was significant for only 4 percent of the Russian voters and "openness and freedom of speech"—12 percent. I wish to emphasize that all this by no means indicates that the citizens of Russia are against democracy, openness, and freedom of speech. The problem is that the existing living conditions are forcing people to live at a level different from that of elementary social needs.

The social situation in the country is becoming fairly tense. The majority of people are finding it difficult to adapt to the current economic situation and feel socially and politically defenseless and alienated. Therefore they frequently do not perceive the changes that are taking place. Thus to the question "can you say that your time has come now?" most of the country's adult population (79 percent) answer "no," with 63 percent saying simply "no," while 16 percent say "more no than yes," and another 11 percent find it difficult to answer this question, and only 10 percent think that now "their time has come" to one degree or another.

It is worth paying attention to the fact that support for the LDPR was greater among the disenfranchised, those who, according to their self-assessments, "cannot withstand the so-called liberalization of prices." And there are a considerable number of people who have been impoverished and cannot withstand the "shock therapy" of reforms in present day Russia: 37 percent of the adult population. Incidentally, 45 percent think that this is "difficult but tolerable," for 10 percent—"not as terrible as it seemed," 4 percent note that "this does not suit them," and 4 percent "found it difficult to determine" their opinion.

#### Arbatov on Economic, Industrial Policy

944E0344A Moscow NEZAVISIMAYA GAZETA  
in Russian 29 Dec 93 p 5

[Article by Academician Georgiy Arbatov, under the "Opinion" rubric: "Are We Doomed to Fascism? The Time Has Come To Climb Down From the Tanks and To Work Normally"]

[Text] When things are going badly in the country, and the ruling party leads the economy and social relations into a dead end, the people suffer national humiliation, and a considerable part of the voters rush into the arms of extreme rightists or leftists. Such is the long-standing law of political life and, while this has happened here for the first time, this is still not a reason for hysterics. As went the politics (and there were warnings about this more than once), so went the results of the elections. In the course of two years, after the victory over the putsch, which, it would seem, opened unprecedented prospects for social progress, the country went downhill faster and faster, and at the same time the process became more and more unmanageable.

I got the firm impression that over the last year the higher leadership and its immediate circle, and the executive and legislative authorities of the economy, almost stopped

working completely on other substantive matters and switched over to political confrontations. They followed one after the other, right up to the culmination—the dissolution of parliament, street fights, the tank firing on the White House, and the December elections. Elections that, according to the party rolls, brought success to V. Zhirinovskiy—an extreme nationalist—which stunned the people, but if we speak in the vernacular—it brought success to the fascists. (It would be interesting to know who from his close circle contrived to convince the president that, despite the worsening economic decline, crime, corruption, and general desolation, he and his supporters would absolutely win in the parliamentary elections, and whether these liars and sycophants are still in his retinue?)

For me, the events of December 1993 proved to be, perhaps, especially impressive—over the period of my life I have seen the successful movement of fascism to power for a second time already. (It happened that I lived with my parents in Germany, who were there on official business from 1930 to 1935; I saw a lot, and, naturally I heard a lot, and I understood quite a lot, for my 13 years, in this highly politicized situation. I understood, in particular, how horrible crimes are committed under the cloak of lofty words, and that even highly placed politicians commit fatal mistakes and stupidities out of hand. I understood how even an ordinary citizen who is good-natured in his personal life is transformed into a fanatic, with eyes that are glazed over with zeal, who is ready for any crimes in the service of the fuhrer, and how this then leads step by step to bloody slaughter. It also did not bypass my generation, including me personally. On the eve of fascism in Germany, an economic crisis was raging, as it is here now also; the majority was destitute, a handful of rich men was bursting with wealth, the authority of the leadership was rapidly falling, the people were suffering from poverty and from national humiliation, the politicians were bogged down in a struggle for power and in a game of brute instincts, inflaming the nationalism of the lumpenized layer of the population.)

I shudder inside thinking that I will have occasion to see all of this and, what is more, to live through it a second time. I am somehow not reassured by talk that, it is said, after a final vote count Zhirinovskiy does not have a relative majority in the Duma and in general has nobody in the Federation Council. This is self-deception, and an attempt to conceal the main point. And it consists in the fact that numerous mistakes and a thoughtless and untalented policy has led to the fact that fascism has appeared among us, which today already has become an appreciable political force that has acquired not only millions of supporters among the voters, but also support (or at least the sympathy) in important state structures, foreign ties, and important sources of financing inside the country and, perhaps, abroad as well.

This is an event that is radically changing the political landscape and the political climate in the country. It also has an appreciable influence on our international position and on the attitude toward us in the world. We are again becoming a source of international danger for others, or, at a minimum, a pretext for someone to retain nuclear weapons and for someone, nevertheless, to squeeze into NATO. And many have refused, or will refuse at least

some of the already planned reductions in military expenditures. In short, we have gotten ourselves into a mess along all lines. Only a blind man could fail to see all of this. And it will hardly be possible to shake up this change even after the replacement of the leadership of Ostankino.

I am somehow also not reassured by positive statements that Zhirinovskiy will get on with Yeltsin beautifully—if this occurs, this means that I (like a majority of the others) erred severely either in Vladimir Volfovich or in Boris Nikolayevich.

The situation is being complicated by the fact that the Communist Party, and the Agrarian Union (the other pole of the political spectrum that is getting stronger), which has joined it, have not yet made a determination on a fundamental question—whether they will be leftist or rightist parties. I personally think that besides a move toward a social-democratic platform, that they have no independent political future, but they, after all, might judge entirely differently.

A lot has already been written on the subject of the elections and Zhirinovskiy, and I would not like to repeat myself, including the fact that, as I surmised, in spite of his personal desires, Gaydar, his team, his benefactors, and his economic policy have become the godfather of our home-grown fascism.

Therefore, I will turn to the answer to the question raised in the headline. I am profoundly convinced that we are not doomed to fascism. There is a solution. It lies in the unity of all democratic forces and in a broad democratic coalition. (Somehow it turned out in previous years that our "primary" democrats in a purely Bolshevik way beat on potential allies most zealously of all, almost not touching their most bitter enemies.) But only a sincere, really honest, and a mandatory public admission of the mistakes made in the two years can become the condition for such a unity and coalition (otherwise nobody will believe anybody). And, moreover, unity on a new radically revised platform—economic and political (unity and coalition are otherwise inconceivable)—none of the sensible economists will agree to participate in a continuation of the ruinous monetarist experiments of Gaydar, Boris Fedorov, and Jeffrey Sachs).

With respect to economics, not being a professional, I will limit myself to only several passing remarks. Can it really be that difficult, if this is really desired, to gain an understanding of these price spirals and impetuous grabbing, and to set up a barrier against depredation, irresponsibility, and sometimes even simply stupidity. And to conduct intelligent measures (but again not requisition measures, but with the help of taxes, privileges, the removal of excessive rights of officials, and privatization somewhere, and so on) that are able to bring life to a civilized form, when we would be able to do everything in full view of the people, not allow anyone to produce [as published] and at least more or less specifically, but without deceit and demagoguery, establish dates when the situation will begin to improve. It is necessary to see clearly that the solution to the crisis does not lie in a monetarist focus, but in a growth in production—but this is precisely where almost nothing in fact was done. A revision of the tax system is necessary so that it does not



impede production, but encourages it, and a system for extending credits and a broader and more sensible involvement of foreign investments. We should not encourage laziness in the domestic producer who hopes as before to live without being in a hurry and exerting himself, owing to the fact that, as before, he will fleece his consumer. It is necessary to protect oneself from foreign competition on a scale that is reasonable and advantageous to the country, without losing sight of the fact that the ultimate objective will be the widest possible free trade. Otherwise, we will die as suppliers of raw materials.

A well-thought-out industrial policy is needed (a kind of elaboration of this has been started), as well as a system of measures that will bring a real revolution in agriculture. Today, in this transition period to a market, the government, the state, and local authorities must in this sense rely not on the "invisible hand" of Adam Smith, which, it is said, will do everything itself under price liberalization, but to work by the sweat of the brow, as is being done in South Korea, Japan, Mexico, Singapore, and other countries where there is a serious resolve to forge ahead.

I will not write anymore about economics—I am confident that the subject has been adequately developed by G. Yavlinskiy, N. Petrakov, O. Bogomolov, and also the department of economics of the Russian Academy of Sciences, to which in these two years, unfortunately, no one found the time to listen. I heard with hope that recently the prime minister and his deputies are beginning to incline to the side of a true economic policy. But I will talk about social programs in more detail. In many of them during the Bolshevik years that we are damning (frequently for a reason), we nevertheless set an example for the developed world. But now we are shamefully going back—in education, in health services, and in people's access to culture. In contrast to many countries of the West, property polarization is taking place, and together with it—a dangerous social tension (also a feeding ground for fascism). Previously, the privileges of the leadership were concealed (with which, judging by his recent television interview, the president reconciled himself), and now—even its pay. You learn with amazement that the director of an average-sized plant can set a salary for himself of a couple and even dozens of millions of rubles a month. No transparency has been deliberately covered here.

As for the "lower levels," it would seem that not even an objective is being established to create a decent subsistence minimum for current conditions, guaranteed humane living conditions for old age and disability, and even for burials that are worthy of a person, and not for cattle dying on the roadside.

Transportation, communications, and other services have become luxury items that are accessible only to the wealthiest, without any justification. Rents in the city are increasing astronomically, and many cities, nonetheless, are falling into decay.

It is nonetheless impossible to compel the government to analyze this ratcheting of prices and unrestrained inflation in the whole system and to set a barrier against depredation, irresponsibility, and sometimes also simple stupidity,

but to implement intelligent measures (again not requisition measures, but with the help of taxes, privileges, withdrawal of excessive rights of officials, somewhere privatization, and so on) that are capable of arranging life in a civilized form, when we would be able to do everything in full view of the people, not permit anyone to be arbitrary, and more or less specifically, but without deceit and demagoguery, to establish dates when the situation will begin to improve.

I want to say something about policy. First about domestic policy.

A little more than two years were actually lost, despite the unique conditions that developed after the defeat of the putsch (in the sense of the development of democracy). If anyone thinks that the Constitution, which was adopted without the consideration of a fourth of the voters, is democratic and legitimate—this is a dubious proposition. In order to make it such, we will probably have to do a lot of sweating yet. But what is to be said about the much-promised, but already forgotten, legal reform that would guarantee life for every one of us in a genuine rule-of-law state? Which implies both democratization of the legal process and an inexorable struggle with crime and corruption—without the latter we will have neither a normal economy nor simply a normal life.

Putting political life in good order, of course, will require a lot of other things. I will restrict myself simply to naming them in some degree. Normal political parties must finally appear, with clear political platforms. A much improved election law, which was not concocted in a slapdash way, is needed. I am not talking now about such great tasks for us as a rational system of relations of the center, regions, and local self-government. As well as a normally working parliament and government that are smaller in number, but better in ability. The time has come to climb down from the tanks and engage in professional and normal work honestly and diligently every day.

Now about foreign policy. Whether we like it or not, Russia will remain a great power. And it cannot get away from its share of responsibility (of course, together with other powers) for international affairs, including for the very important and very responsible task of restructuring the entire system of international relations after the end of the Cold War, for the creation of regional security systems, especially in regions contiguous to us—in Europe, in southern and eastern Asia, in the northern part of the Pacific Ocean, and for the demilitarization of international relations. We played a decisive role in stopping the Cold War, we organized cooperation with the major countries of the world, and we can resolve these problems. Not assenting to the West in everything, of course, displaying will and persistence, and when necessary—initiative as well. It is necessary, it is true, to react quickly and with adequate resolve to the irresponsible twaddle of some of the Russian politicians who are appearing in the arena—given all of its foolishness, this political idle talk could do considerable damage to Russia's national interests.

We still do not have a well-balanced concept nor a consistent policy in countries of the so-called near abroad—but, after all, this is our main priority today. Russia, perhaps, is the only one of the former republics of the USSR that can



both "exist by itself" and even prosper, ensuring its own security, normal economic activity, and even a certain increase in the standard of living of the people (if, of course, the plundering of national property is stopped). However, everything is possible in a friendly environment! In a hostile one, it will be even more difficult for great Russia to live than in the Cold War years.

The former Soviet Union was born out of an empire, and for a long time it was a totalitarian empire itself, which made it intolerable even for Russia, which declared its own sovereignty in 1990. The other republics felt the yoke of imperial oppression even more. We, like they, have a vital need of normal relations. One of the conditions is for us, Russians, to convince our neighbors that Russia has no kinds of imperial claims with respect to them, and to convince them not with words (who believes words today!), but with deeds. Then, the natural tendencies toward integration will begin to work in full force, as they began to work after the Second World War in Western Europe. And out of something that is illusory and neutral, the CIS will become a reality, ensuring the mutual interests of economic development, security, and cultural and human relations, with the full stability of independent states. And it is entirely impermissible to make up for obsequiousness to the West with pressure, and even rudeness, with respect to our neighbors.

To sacrifice the prospect of improving relations and a genuine alliance with them for the sake of being witty about Crimea, and in order to be reputed to be a jingo patriot, is unworthy of every true patriot of Russia.

And, finally—every nation (and its leader as well) should imagine how it wants to see its future and its objectives. The replacement of the "developed structure of socialism" by the "developed structure of capitalism," for heaven's sake, does not accomplish this task. Every Russian—both the ordinary citizen and the leader—wants to know, and has a right to know, where we are heading today. The democratic coalition should explain this to him truthfully, simply, and clearly. Especially because there is a good future before our country, if its people work honestly and manage the affairs of state skillfully. Few other states have such natural and intellectual resources, and such cultural, industrial, and agricultural potential.

The matter today really lies in proper policy and leadership, and first and foremost in them. This is the most reliable antidote against fascism. Somehow, no one has yet gone from a normal, good life to fascism.

### **Chubays' Confidence in Privatization Success Questioned**

944E0343A Moscow *RABOCHAYA TRIBUNA* in Russian 31 Dec 93 pp 1-2

[Article by Aleksandr Krotkov: "On Chubays in the Role of Grandfather Frost and the Unlucky Sociologists who Asked the Wrong People"]

[Text] Privatization, about which the reformer vice premiers have talked so long, has come to pass! Such was the leitmotiv of the speech of the chairman of the Russian Federation State Committee on the Administration of State Property at a press conference in the Russian Federation

Ministry of Foreign Affairs press center on Zubovskaya Ploshchad in Moscow. It has come to pass despite the opposition of functionaries of all bureaucratic levels and all political forces. Anatoliy Chubays appeared as if in the role of a Grandfather Frost who had given presents to many Russians.

Today, Anatoliy Chubays declared, 67-70 percent of all former state enterprises in the sphere of small-scale privatization (malaya privatizatsiya) (stores, everyday services, hotels) have become private. As for large-scale privatization (bolshaya privatizatsiya), about 11,000 of the 14,500 largest state enterprises had been registered as joint-stock companies by the end of the year. More than 600 check investment funds, which help the citizens of Russia to take advantage of their privatization checks, are operating in the country. On the whole about 110 million Russians had already taken advantage of their privatization checks at the end of 1993. More than 55 million of the country's citizens have become stock holders, i.e., private owners.

Some 600-800 check auctions, in the possibility of the large-scale conducting of which not only our home-bred skeptics but even many foreign experts even recently did not believe, are held in Russia every month. More than 7,000 enterprises have gone through check auctions.

On the basis of all this, the chairman of the State Committee on the Administration of State Property concluded, we can give a firm guarantee that the last privatization check of a Russian citizen will be utilized by 30 June 1994.

Well, what will happen in July when the voucher disappears, the journalists asked A. Chubays. To this Anatoliy Borisovich answered merrily that he personally doesn't like the word "disappear," but rather—"will triumphantly conclude its functions"... As for further plans, a new stage of so-called paid privatization (platnaya privatizatsiya) awaits the country, when state property will be sold off no longer for privatization checks issued to everyone free of charge, but solely for money.

"But don't the intentions of the government to give up voucher privatization from the middle of next year contradict the idea of the social protection of the citizens of Russia under reform conditions?"—*RABOCHAYA TRIBUNA* put such a question to A. Chubays.

"The government doesn't intend to give up voucher privatization," Anatoliy Borisovich answered without batting an eyelid. "On the contrary, it intends to implement in full those obligations which it voluntarily undertook beginning with the August (1992) presidential edict which the Supreme Soviet attempted to revoke three times and which your newspaper and other such publications repeatedly severely criticized. Our plan is to discharge our obligations despite any criticism whatever of any political forces."

And such majestic dignity, such passion for social justice resounded in these words that my first impulse was to go up to Anatoliy Borisovich, shake his manly hand and... to confess in the presence of everyone to all that he would just wish.

But then, when the magic of his words dissipated in the air of the well ventilated conference hall and those present again were able to soberly evaluate what had been said from the stage, an inner voice stopped me: we were talking about different things. I asked about what will happen

from the middle of next year—that is, after the completion of voucher privatization and not before it!

And Mister Chubays himself had just now talked again about the triumphal conclusion of the check's functions. Since nevertheless the idea of the social protection of the population, the principle of social justice will then be fulfilled? Or will only the "money bags" be admitted to the division of the most tasty remains of the state pie (the leftovers—the sweetmeats), and will the destitute majority of Russians, who have created this wealth by their own sweat and blood, have to just smack their lips at someone else's feast? In point of fact Mister Chubays simply didn't give an answer to this question. Why? Is it because he did not catch what in fact they asked him (with whom doesn't this happen...)? Or because he had nothing to say essentially? Although one may think that he answered precisely and clearly: the remaining property will be sold off for cash. Naturally, to those who have it. Including to the one who has become rich from machinations with vouchers.

That is why the chief Russian privatizer so coldly "kicked" *RABOCHAYA TRIBUNA*. And was it not in order to divert the attention of the hall from problems of social protection and to turn it to anxious thoughts about perfidious "opponents of reform"?

The chairman of the Russian Federation State Committee on the Administration of State Property continually emphasizes that, according to the data of sociological surveys, more than 60 percent of Russians simultaneously approve his privatization offspring. There it is, he says, the people's love, the support of the people of labor. But if everything is in fact so good, why then did this strange people vote so in unison against the "Russia's Choice" bloc, one of whose leaders is the respected Mister Chubays? Why then did Gaydar, Chubays and others start fussing so after the elections, promising the people considerably more concern about their social rights than now?

Or were these promises only words?

As for the favorite references to sociological questions, then here we haven't a leg to stand on. The fact is that these same sociologists predicted a smashing victory for "Russia's Choice" in the elections.

Would it appear that the sociologists are asking the wrong people?

### Importance of Fuel-Energy Sector Emphasized

944E0343B Moscow *RABOCHAYA TRIBUNA* in Russian  
4 Jan 94 p 1

[Article by Viktor Yurlov, editor of the *RABOCHAYA TRIBUNA* economics department: "The One who Pays is the One who is for the Market"]

[Text] "If any sector exists which should prosper in Russia it is power engineering,"—the well-known political analyst of the Russian economy, John Guardino, exclaimed recently. Unlike many of our compatriots who have been taken prisoner of the populist criticism of Russia's fuel and energy complex, supposedly guilty of all the defects of the transition period, J. Guardino knows the subject of his research thoroughly. And we ourselves know it. But to be sure one wants very much to find a specific culprit for all misfortunes among those at the helm. Let's recall how many

indignant attacks were made against just the miners alone, that it cost them to demand that the government settle up with them regarding debts...

Let's recall that as regards energy-bearing resources, Russia is in a natural preeminent position in comparison with all the rest of the world. For example, we have more than 40 percent of the world's reserves of natural gas and coal and 20 percent of the oil. And what is more, the exportation of energy-bearing resources is a natural very important source of Russia's hard currency revenues. We export about 40 percent of the energy products produced, which constitutes almost half of all currency earnings.

It would seem that given such a situation the fuel and energy complex should be the most prosperous sector of the Russian economy. In fact it is the sector with the most problems. The production of oil and coal is dropping every year. According to the forecasts of the specialists of the Russian Federation Ministry of Fuel and Energy, if such a trend is maintained then the country may turn into an importer of oil by 1995. It is difficult today to even imagine the consequences of such a situation. One can assume with a large share of probability that it will be simply impossible to carry out any reforms whatsoever under such conditions.

At a pre-New Year meeting of the leaders of the most important enterprises of the fuel and energy complex the incorrect system of price formation was named as the chief cause of the sector's decline. Let's recall that the central government of Russia set the prices for almost 90 percent of all goods and services free in January 1992. However, it retained control of the prices for energy products. In fact fuel and energy rose in price more than 80 times that year by "administrative order." However, in spite of that the prices for coal, oil, and other domestic energy products remain far lower than the normal market level. They come to approximately 40 percent in comparison with international prices. Partially this is related to the sharp fall in the value of the ruble when the rubles in circulation were used for the payment of compensations when the prices for energy products in Russia increased.

However, regardless of how much they have grown, administratively increased prices cannot be comparable with free market prices. Although it is clear that properly free prices, or the opportunity to set them, naturally will lead to an increase in the price of energy products on the domestic market. Terrible? Of course. However, as Yuriy Shafranik, Minister of Fuel and Energy, has cleverly observed concerning debtors "the one who pays is the one who is for reform. And the one who doesn't pay—although he shouts, he is not for reform. And no litmus papers whatever in the form of the LDP [Liberal Democratic Party], PDP [not further identified] and any PRES [Party of Russian Unity and Accord] are needed here."

Of course, control over prices has substantially reduced the cost of energy for the Russians. But as a result we are using it carelessly and not at all as efficiently as the majority of the world's population. And here you can't do without strong economic levers.

And, finally, a last consideration. An economy, all of whose sectors have been switched to market rails while power engineering, that locomotive of the entire economy,

remains in administrative rods of iron, cannot in fact develop normally. There is no choice here. The rules of the game must be the same for all. Otherwise misfortune.

This is only a small portion of the problems which were discussed at the meeting of the leaders of the fuel and energy complex. RABOCHAYA TRIBUNA intends to watch the course of the reform in this leading branch of the country's economy very carefully. And already in the next few issues we will grant the floor to the most authoritative specialists and experts in this field.

### **Federation of Goods Producers on Economic Crisis**

944E0345A Moscow NEZAVISIMAYA GAZETA  
in Russian 29 Dec 93 p 3

[Article by Natalya Pachegina: "The Country's Goods Producers Propose Their Own Path for Pulling Out of the Crisis: At the Same Time, They Are Not Counting on the Government"]

[Text]

#### **The Event**

"A national catastrophe is approaching"—this forecast, despite the bravura reports of the government on the "victorious procession of the market throughout the country," was made by the second congress of the Federation of Goods Producers of Russia (FTR) held last week in Krasnoyarsk. Representatives of collectives of enterprises, directors (managers), and owners assembled—all those who are engaged in the sphere of goods production, regardless of form of ownership and type of economic activity. Established in 1992 by the Association of Industrialists and Entrepreneurs of Russia, the Agrarian Union of the country, the League of Assistance to Defense Enterprises, the Russian Union of Industrialists and Entrepreneurs, and the Russian Union of Workers Collectives, the FTR today, undoubtedly, not without the energetic efforts of Yuriy Skokov, its leader, represents the interests of the federal, republic, regional, kray, and oblast branches of unions of goods producers, which united, as the congress showed, by no means for the sake of selfish opposition as such. Their unification was prompted by the policy of the present government, expressed in a reprisal against national industry, which, in the opinion of congress participants and the leadership, does not at all appear to be a mandatory and necessary victim for a country that has taken the path of political and economic reformation. Not denying the need for economic transformations, the congress of goods producers evaluated the path of economic reforms in Russia in its own way. As was obvious from the report of FTR Chairman Yu. Skokov, there were in fact none. The political reforms absorbed everything, for which there was a consistent need for the president, people's deputies, and parliament... Meanwhile, an analysis of the state of the economy of Russia based on the results of the year presented to the congress by FTR experts shows that the drop in domestic production, without which the preservation and strengthening of Russian statehood is inconceivable, exceeded the planned level by more than a factor of two. The FTR chairman cited figures: the national food basket, consisting of 19 (!) descriptions of goods (for comparison, it is made up of 300 paragraphs in the United States), is applicable to only 30 percent of the population of Russia. The growth in unemployment is indicated by the

2,400 plants in this country that died out this year. Against the background of general instability of economic life and administration, there is a continuing flow of a significant part of our national wealth abroad, and the export of capital from the country in legal and illegal form amounted to \$12-15 billion this year. An economic and legal environment that is hostile to native goods production, whose direct result was the disruption of economic relations and a reduction in the volume of products, created such conditions that it simply became unprofitable to work. Thus, in branches that determine the competitiveness of the Russian economy (electronics, electronic equipment, and instrumentation) in the last three years the output of products has dropped by more than 40 percent, which indicates that a process of the deindustrialization of the country is beginning.

In the meantime, the congress of goods producers of Russia (not anticipating tangible progress for the better, not only in the first quarter but also in the first half of 1994, when, in the opinion of FTR experts, there will continue to be a further listless decline in production, inflation in costs in connection with continuous price increases for energy sources and agricultural raw materials, an increase in transport rates and wages, mutual indebtedness of enterprises, and the depreciation of money), is coming out in support of signing agreements with the government of the Russian Federation and organs of authority of the components of the Federation concerning a qualitatively new system of mutual relations that regulates the procedure of implementing the stages for conducting economic transformations. In the FTR's opinion, the state should guarantee the native goods producer the unconditional right to direct participation in determining the strategy of development of the national economy and in legislative initiatives on questions of goods production and expert analysis of all normative acts at the federal and regional level in this sphere. Arkadiy Volskiy, chairman of the Union of Industrialists and Entrepreneurs of Russia and leader of the Civic Union, remarked in his speech to the congress that goods producers can credit themselves with the fact that the government, which until recently demonstratively had withdrawn from tasks of support of domestic production, today agrees with the need to regulate the economy of the country. However, the present state of Russian industry, the FTR leadership thinks, will not permit restriction to "consultations" with the government. Correctly relying on the intellectual and production potential of the regions, and also emphasizing the cementing role of the "class" of goods producers in the regional policy of the state, the FTR chairman sees the Party of Russian Unity and Accord (PRES), the Agrarian Party, and the Women of Russia Movement as possible and real allies in the federal organs of power who could be interested in supporting domestic goods producers. It is obvious that the representation of the Union of Industrialists and Entrepreneurs of Russia in federal organs of authority by one plant director can hardly be adequate for an expression of the interests of a multimillion-strong social group. But the question of the political formation of a movement of goods producers, as the FTR leader let it be known, is not yet urgent. Today, Yuriy Skokov believes, it is far more important to conduct a staged restructuring of the economy of Russia that is as painless as possible for the population, and which, in spite of everything, the FTR leader sees in the future as being among the first in the world.



### Grain Futures Market Developer Explains Advantages

944K0498A Moscow SELSKAYA ZHIZN in Russian  
21 Dec 93 p 3

[Interview with Doctor of Commerce A.V. Vasilyev, president of the Selkhoztrast joint-stock company and president of the Russian Agricultural Exchange, by SELSKAYA ZHIZN correspondent Mikhail Sharov, under the rubric "Interview of Current Interest"; place and date not given: "Futures Are Advantageous to All"]

[Text] We have already reported that a conference on the issues of organizing a grain futures market has been held at the Ministry of Agriculture of the Russian Federation. The main developer of this program, Doctor of Commerce A.V. Vasilyev, president of the Selkhoztrast joint-stock company and simultaneously the president of the Russian Agricultural Exchange, has answered questions put by SELSKAYA ZHIZN.

[Sharov] Aleksandr Vasilyevich, organization of the grain futures market is a completely new endeavor both for commodity producers and the state as a whole. We would like you to discuss it because many readers do not know what futures are.

[Vasilyev] Translated into Russian, futures means the future, transactions concluded for the purchase of future products. Exchanges in Russia had not previously engaged in futures trading; however, they had advanced to the level of a highly organized wholesale market for grain. Exchanges set prices for grain that were published in all the newspapers. Peasants knew precisely what grain cost on the market. Meanwhile, in our country, the general customer (the Roskholeboprodukt [Russian Federation Committee for Grain Products]), the Ministry of Agriculture of Russia, the AKKOR [Association of Peasant Farms and Agricultural Cooperatives of Russia], and the Agrarian Union get together at the beginning of the year and set the price, and the government subsequently confirms it. Is this not theater of the absurd?!

We have now begun to foster a new wholesale market, which consists of two main elements: these are the market for real goods and the market for the sale of the right to goods. The latter is the futures market. It may also be called a term contract market, that is, a market of contracts for a definite period. A peasant may sell his grain three, six, nine, or 12 months in advance.

[Sharov] Grain that has not yet been grown? That has not even been planted?

[Vasilyev] Precisely. Having sold a contract for a certain amount of grain at a price projected for the next year, he receives money for this grain, which has not yet been grown (and this is very important!) in order to buy fuel, good seeds, fertilizer, and machinery. Therefore, the commodity producer is a winner, and the state also has an advantage; after all, the buyer pays for grain, and funds from the budget are not spent to this end.

Buyers in Western markets are speculators pure and simple, and in the genuine, favorable sense of the word, rather than in ours. So, two speculator-buyers meet on the

exchange. One of them believes that grain will be expensive because its gross production will fall due to poor weather conditions. The other one believes that on the contrary, the cost of grain will be reduced because the crop will be large. That is, two contrary opinions are apparent. One speculator says: I will stock up on grain, whereas the other one says: I will sell it. These interests are reflected, in monetary terms, in sales and purchases on the exchange. Those playing for a rise are called "bulls," and those playing for a fall are called "bears." The peasant stays on the sidelines, looks at them fighting on the exchange, and is plainly happy. This means that the price for grain is being stabilized. If any one of them is winning, the peasant understands that yes, indeed, the grain situation at present is bad. Apparently, contracts need to be bought out in order to hedge against a fall in value. Or else, on the contrary, try to sell as many contracts as possible, because prices for grain will go up.

[Sharov] At present, there are a great many insinuations of all kinds concerning grain prices. They say that the prices have been unjustifiably overstated....

[Vasilyev] As early as January of this year, we projected for September a grain price of approximately 90 rubles [R], with the value-added tax included.

[Sharov] You mean price per kilogram....

[Vasilyev] Of course. So had a peasant sold grain at this price at the beginning of the year and received money as early as January, I am convinced that his mood would be good now, and the crop would have certainly been harvested in its entirety. Meanwhile, this is what it has come to: a tiller cannot buy what is necessary to till the land, grow the crop, and bring it in.

[Sharov] Is this, in essence, an interest-free loan?

[Vasilyev] Essentially so. It would vindicate the peasants from all unjustified and malevolent accusations.

Of course, there is a risk factor involved here. It is easy to understand a peasant if deep down he harbors the thought that he will be cheated about the price being precisely R90.

[Sharov] However, these apprehensions are not groundless. The risk factor indeed exists. Imagine that early in the year a peasant sells grain at a high price, and in September it becomes cheaper....

[Vasilyev] Yes, in this case, the peasant loses. What should he do? He either leaves the sold contracts open for sale, or buys them out and sells grain at its actual price on the exchange.

This is where one more aspect, a very powerful aspect of the futures exchange, comes in: it is so-called hedging or, in other words, insurance against unfavorable changes in prices.

If insurance exists, the peasant will get the price for which he sold grain on the exchange in any event—in any event if his grain is purchased.

[Sharov] Aleksandr Vasilyevich, when the issue was being discussed at the Ministry of Agriculture, you illustrated your arguments with a chart that vividly showed the mechanism of operation of the grain futures market.



[Vasilyev] What is the most fundamental provision with regard to price setting for grain? It is that nobody knows how much grain will cost 12 months from now, because the futures market is not yet in operation in our country. This is why we approached this from a scientific point of view and established that in October of the next year, 1994, the cost of grain may range between R180 and R250 per kilogram.

According to our calculations, these fluctuations in December will already be within the range of R190-R260. However, let us discuss the October prices for which R180 is the minimum price limit and R250 is the maximum price limit. A peasant takes a look at the chart and decides to put up his grain at the maximum price. He is told: "Go ahead, but you will get only 50 percent down." This variant may not satisfy him, and he will wish to receive all of 90 percent (we cannot pay 100 percent, because we would like to build up reserve stocks of grain out of the 10 percent). He is told once again: "Go ahead, but in this case you must put up the merchandise at R180, that is, at the lowest end of the scale" (final settlement will be effected at the time of actually turning in the grain). At this point, the peasant begins to think: Let me take the golden mean, R200, and receive 80 percent down. This price satisfies the peasant—he was the one to set it.

[Sharov] Does this important endeavor take into account the role of the state and public organizations representing the interests of the peasantry?

[Vasilyev] Definitely. The chart we are talking about should be approved by the government after a thorough discussion at the Ministry of Agriculture and the Agrarian Union. In the process, the state will retain a regulatory function—after all, bread is at stake!

Imagine that grain prices have exceeded the maximum limit. What does the state do? It releases onto the market a large amount of grain from reserves. Since more of it appears on the exchange, it means that prices for grain will fall. Once again, this chart is brought into conformity. However, the opposite situation may also occur, whereby they begin to sell grain at R160 rather than at R180. In this case, the state dumps a large amount of money on the grain market and purchases the grain to meet state needs. This means that prices will return to those on the chart once again.

[Sharov] Aleksandr Vasilyevich, everything is always impeccably smooth in theory.... What about reality?

[Vasilyev] Indeed, in practice everything is considerably more complicated. The most difficult issue in this instance is that of the buyer.

For example, who will now buy grain at R250 per kilogram if it is suddenly put up for sale? There will be no takers, because cattle breeders who need this grain are beggars now. Private farms will not buy at this price either, nor, perhaps, will mill operators. So we started thinking about how to cut this Gordian knot. The following thought occurred to us: What if these contracts are sold at 10 percent of the value, or even five percent, that is to say, one-tenth to one-twentieth of the contract rather than at full value? An opportunity will appear to sell this grain to a larger circle of consumers.

Peasants need manufactured feed concentrates rather than grain in order to raise farm animals. Esteemed buyers of

futures contracts, we propose to replace grain with any manufactured feed concentrate, and then at your manufactured-feed plants located nearby. We have signed an agreement with the Roskombikorm association, which has been set up by these manufactured-feed plants. You may buy manufactured feed concentrates from them towards a grain contract. At present, we specify the values of one-tenth or one-twentieth of the cost on only one condition, that of the opportunity we will have to build an insurance reserve of grain. If contracts are sold for one-tenth of the cost, we will need to place no less than 1 million tonnes of grain in reserve stocks. If they are sold for one-twentieth, we should place no less than 2 million tonnes. Everything depends on what arrangements we make and where we find the money to purchase this segment of the emergency fund at present. Everyone who makes a purchase under a contract should be sure that the delivery to himself of grain or manufactured feed concentrates is guaranteed. We will be able to guarantee it when we have a reserve stock.

[Sharov] Do you mean the amount of grain that is necessary in order to set in motion the mechanism of the futures market itself next year? Is it realistic to be discussing it already?

[Vasilyev] Yes, it is realistic. We have prepared virtually all documentation, refined the contract itself, and refined the implementation program. To be sure, at present we will not be able to do this in all regions of Russia. For now, we will only use a few grain-producing and grain-consuming oblasts in which we will refine this mechanism. As soon as it gets going, we will extend it to all of Russia.

However, this will happen tomorrow, but today we badly need support from the mass media in explaining the very mechanism of the futures market. This is a very, very complicated business. The main point is for the people to understand that if they buy contracts for grain, the latter will be delivered in the necessary amount and on schedule—a tonne in December, a tonne in January, February, and so on, that is, at a rate that supports, on a monthly basis, the technical cycle of production or animal feeding. The state should provide assistance in setting this mechanism in motion, if not in funds, then in grain. We should be told: We are allocating 1 million tonnes for the futures mechanism to the five or six exchanges in which they have confidence now, and guarantee that this grain will be provided from state reserves in any case. Our farmer or peasant may suddenly fail to get the crop. In this case, all of us are bankrupt and unable to honor commitments made under the contracts. Support from the state and a reserve fund are needed to ensure that this does not happen.

To be sure, Americans propose to give us the necessary amount of grain as charitable aid. However, frankly, I would not want it, because we will thus punish our own commodity producers. When charitable-aid grain was dumped in March on the Saratov exchange, its price fell from R35-R40 to R27 right away. This is what the infusion of a large delivery of grain means.

Generally, my notion is that purchasing grain abroad is just a catastrophe for Russia. Why? Because we ruin the domestic commodity producer in this manner, paying him for grain three to four times less than a Western grain producer. Would it not be better to purchase elite grades of

seeds, of which we do not have enough, and various kinds of defoliants and herbicides, that is, everything that improves the grade and quality of the crop? This would be a statesmanlike approach!

# **DELOVOY MIR Economic Statistics, 22 December**

944E0340A Moscow DELOVOY MIR in Russian  
22 Dec 93 p 4

[Report on Russian Federation economic statistics, by Valeriy Galitskiy, Aris Zakharov, and Aleksandr Frenkel, the Russian State Committee on Statistics: "Is the Rate of Inflation Falling?"]

[Text]

## **Prices for Consumer Goods and Services**

A decrease in the rate of inflation that manifested itself in November continued in December as well. Over the 7-14 December period prices and rates for basic goods and services rose by 2.3 percent, including by 2.2 percent for foodstuffs and by 2.5 percent for nonfood items. Rates for paid services to the population rose by 2.6 percent. The greatest rates of price increases were registered in the cities of Western and Eastern Siberia—4.1 to 4.8 percent; the lowest in the cities of the Volgo-Vyatka and North Caucasus regions and in Kaliningrad Oblast—by 1.4 percent.

The dynamics of weekly price increases over the past four weeks were as follows:

	11/23	11/30	12/07	12/14
Rate of price increases for goods and services	102.09	102.2	102.9	102.3
including:				
foodstuffs	103.1	102.0	102.9	102.2
nonfood items	102.5	102.5	102.5	102.5
paid services for the population	103.6	101.3	105.4	102.6

## **Food**

Prices for basic foodstuffs rose by 2.2 percent; over the preceding week they rose by 2.9 percent. Over the elapsed week the greatest prices increases were registered with respect to eggs (by 6.0 percent), as well as fish and fish products (by 4.6 percent). Prices increased by more than one-third: for eggs—in Rostov-on-Don, Orenburg, Vladivostok, and Yuzhno-Sakhalinsk; for frozen fish—in Penza and Orenburg.

Prices for macaroni items and cereals, butter, vegetable oil, salt, and vegetables rose by 3-4 percent. Price increases of a lesser magnitude—by 1.5 to 2.9 percent—occurred with respect to milk products, confectionery items, flour, bread and bakery products, and fruit.

Price rises settled into a stable pace (no more than 1 percent a week) with respect to meat and meat products, sugar, and vodka.

## **Nonfood Items**

Prices for these items rose over the week by 2.5 percent. This rate of price increases remained stable over the past

four weeks. Over the week prices for sewn items and knitwear increased by 3.0-3.6 percent, and for footwear, cultural, personal, and household items, as well as fuel sold to the population by 1.6-2.0 percent.

## **Services**

Fees for paid services to the population rose by 2.6 percent over the second week of December. The greatest price increase was registered with respect to notary services (by 48 percent). In 80 out of 132 monitored cities of Russia the cost of certifying a will by a notary public increased 1.9-fold. Fees for some varieties of paid health care services increased by 8-15 percent. Apartment rents remained at the same level in all cities except Berdsk. In Berdsk they increased 58.8-fold (from 17 kopeks to 10 rubles [R]).

## **Industrial Production**

Over the first 10 days of December 1993 production of most varieties of products counted in periodic reports has declined, which may be seen from the following table:

	Total Items	Of Them: Production Declined As Compared To the Corresponding Period of			
		Last Year	As a Percentage of Total	Preceding Month	As a Percentage of Total
Industry—total	152	137	90	91	60
including the following sectors:					
fuels and electric power	15	11	73	6	40
ferrous metallurgy	2	2	100	2	100
machine building and metal processing	31	26	84	17	55
chemical and petrochemical	24	24	100	20	83
timber, wood-processing, and pulp and paper	10	10	100	2	20
construction materials	9	8	89	8	89
light	14	14	100	10	71

(continued)	Total Items	Of Them: Production Declined As Compared To the Corresponding Period of			
		Last Year	As a Percentage of Total	Preceding Month	As a Percentage of Total
production of nonfood consumer items (without light industry products)	18	16	89	9	50
food processing	29	26	90	17	59

In the fuels and power generation sectors, over 12 days of December of this year production of the main kinds of energy resources is characterized by the following data:

	In Real Volume Since the Beginning of the Month	Average Daily Production as a Percentage of the Corresponding Period of	
		Last Year	Preceding Month
Electric power—billion kwt/hr	35.0	98	106
Thermal energy—million G-cal	35.5	98	111
Coal—million tonnes	9.5	93	109
Natural gas—billion cubic meters	21.7	99	99.9
Oil—million tonnes	9.9	88	98

Over 12 days of December of this year, 7 million tonnes of oil were refined, which is 7 percent more than over the corresponding period of this year's November, including in the following associations: Omsknefteorgsintez—by 11 percent, Salavatnefteorgsintez—by 14 percent, and Bashneftekhimzavody—by 29 percent. The output of automotive gasoline increased over this period by 10 percent, and of boiler oil—by 7 percent. Overall, as compared to the level of 13 days of last year's December, the volume of refining increased by 2 percent.

The increase in the volume of oil refining resulted to a considerable extent from the fact that greater quantities of oil previously intended for exports now are being delivered to oil refining enterprises.

Out of 12 associations of the Gazprom RAO [All-Russia Joint-Stock Society], seven increased the volume of gas production as compared to the first half of the preceding month, including Surgutgazprom by 3 percent and Nadyngazprom by 2 percent.

As compared with the corresponding period of this year's November, coal production has increased at almost all coal-producing enterprises with the exception of the Vorkutaugol association, where because of recent strikes it fell off by one-quarter.

In ferrous metallurgy over 12 days of December the production of iron ore declined by 14 percent as compared to the analogous period of November, including at the Lebedinskiy (Belgorod Oblast), Kachkanarskiy (Sverdlovsk Oblast), and Korshunovskiy (Irkutsk Oblast) ore mining and processing combines by 20-30 percent and at Kostomukshskiy by 48 percent, which is due to restrictions on delivery of electric power to the aforementioned combines because of arrears in payments.

Production of steel and finished rolled metal has declined as compared with the level of the analogous period of November by 2 percent, and that of last year by one-quarter; of steel pipe, respectively, by 9 percent and 55 percent.

The data on the output of most important items in machine building are shown below:

	In Physical Volume Since the Beginning of the Month	Average Daily Production as a Percentage of the Corresponding Period of	
		Last Year	Preceding Month
Large electric machines—units	98	50	120
Metal-cutting machine tools—units	204	41	79
Excavators—units	288	129	90
Freight railcars—units	64	18	57
Automobiles—thousand units			
trucks	9.2	52	78
passenger cars	27.6	86	88
buses	1.6	102	125
Tractors—units	425	10	100

Over the elapsed days of December, there has been an increase in the average daily production of special, specialized, and component system machine tools, city telephone

cables, and trolley buses as compared with both the corresponding period of last year and the preceding month. At the same time, with respect to most items the current level



of daily production was below that for the corresponding period of 1992, including diesels and diesel generators, metal-cutting lathes, bridge electric cranes, trucks, friction-free ball bearings (declined by half), drop forges, mainline freight railcars, automotive trailers and semi-trailers, and

tractors (by a factor of 6-10), which to a large extent is the result of a decline in solvent demand for products.

In the chemical and petrochemical industry the current situation is as follows:

	In Physical Volume Since the Beginning of the Month	Average Daily Production as a Percentage of the Corresponding Period of	
		Last Year	Preceding Month
Synthetic ammonia—thousand tonnes	263	85	93
Sulphuric acid—thousand tonnes	203	66	93
Mineral fertilizer—thousand tonnes	198	72	100.6
Chemical filament and fiber—thousand tonnes	7.0	57	99.8
Automotive tires for agricultural vehicles, motorcycles, and motorrollers—thousand units	872	72	95

As compared with the first half of last year's December, there has been a considerable decline in the output of calcinated soda, polyethylene, synthetic rubbers, and microbiological fodder protein (by 32-43 percent). Production of polyvinylchloride resin, pipe and pipeline components made of thermoplastics, polyvinylchloride-based plastics, and tires for agricultural vehicles amounted to less than half of last year's volume.

The volume of average daily output of a majority of indicated, as well as other varieties, of products also was below that for the corresponding period of this year's

November, with the exception of polypropylene, whose daily output exceeded November level by 13 percent, and movie film (by a factor of three); production of calcinated soda remained at the same level.

In the timber, woodworking, and pulp and paper industry, over the elapsed 12 days of December as compared with the analogous period of this year's November, the average daily production increased with respect to practically all of the most important varieties of products (with the exception of wood-chip board and cardboard):

	In Physical Volume Since the Beginning of the Month	Average Daily Production as a Percentage of the Corresponding Period of	
		Last Year	Preceding Month
Sawn lumber—thousand cubic meters	345	70	100.9
Commercial cellulose—thousand tonnes	51.1	92	153
Wood-chip board—thousand standard cubic meters	92.6	79	95
Paper—thousand tonnes	89.0	80	100.1
Cardboard—thousand tonnes	38.5	74	86

The average output of commercial timber over the elapsed 10 days of December amounted to 198,000 cubic meters, which is one-third less than over the same period of last year.

Cutbacks in deliveries of timber to sawmills and wood-processing plants has led to a decline over the period since the beginning of the month in the output of mine props (by

37 percent), wood-fiber board (by 28 percent), and matches (by 51 percent).

In the construction materials industry over the elapsed period of December the average daily production of all varieties of products counted in periodic reports (with the exception of ground lime and dolomite) has declined over the elapsed period of December as compared with the analogous period of this year's November:

	In Physical Volume Since the Beginning of the Month	Average Daily Production as a Percentage of the Corresponding Period of	
		Last Year	Preceding Month
Cement—million tonnes	1.3	87	81
Construction brick—million units of standard bricks	289	81	91
Flatable roofing materials and rolled insulation—million square meters	14.7	79	78
Window glass—million square meters	2.8	68	94



In the cement sector, the average daily product output was the lowest over the entire elapsed period of the year—110,500 tonnes as compared with 127,000 tonnes over the corresponding period of last year's December. The average daily production of roof slate, high-grade asbestos, asbestos-cement pipe and couplers amounted to 60-74 percent of the level of 13 days of last year's December.

At the same time, in the first half of December Rosstrom AO [Joint-Stock Society] enterprises, which produces two-thirds of the total output of decorative ceramic tile in Russia, increased their production by 6.5 percent as compared to the first half of last year's December.

In the light industry over the elapsed period of December as compared with the analogous period of November there has been an increase in the average daily production of cotton and linen fabrics and sack cloth. However, as compared with the corresponding period of 1992, the output of all items counted in weekly reports has declined: of children's footwear—by 61 percent; woolen fabrics—by

half; silk fabrics, jackets, and footwear—by 40-42 percent; knitwear—by one-third; and hosiery—by one-quarter.

In the production of complex home appliances, over the elapsed period of December as compared to the corresponding period of November there was an increase in the daily production of television sets and sewing machines (by 2-14 percent), tape recorders, video tape recorders, and bicycles (by 24-31 percent). At the same time, the average daily production of refrigerators and freezers, washing machines, electric irons, and radio receivers declined by 11-19 percent; electric vacuum cleaners, by 28 percent; and motorcycles, almost by half. As compared with the analogous period of last year, production declined with respect to all categories of goods (with the exception of color television sets). There has been no production of radio receivers since the beginning of the month at the Mayak plant (Kursk Oblast) and the Irkutsk radio plant and of electric vacuum cleaners at the Omsk electromechanical plant.

Production of basic foodstuffs over the elapsed days of December amounted to:

	In Physical Volume Since the Beginning of the Month	Average Daily Production as a Percentage of the Corresponding Period of	
		Last Year	Preceding Month
Meat, including category I subproducts, total—thousand tonnes	67.7	76	84
Butter, total—thousand tonnes	7.5	80	80
Whole-milk products recalculated as milk, total, thousand tonnes	205	87	94

The only item where an increase in production was registered as compared to both the corresponding period of last year and that of the preceding month was vegetable oil—by 21 percent and 24 percent, respectively.

With respect to most varieties of foodstuffs, the daily output has declined as compared to the same period in November, which in a number of instances is due to the seasonal nature of production. For instance, with respect to commercial edible fish and canned fruit and vegetables production declined, respectively, by 20 percent and 26 percent; the output of granulated sugar fell off by more than one-third.

As compared to the corresponding period of last year there has been a considerable decline in the production of bakers' yeast—by 20 percent, macaroni items—by 40 percent, and mineral water—by 44 percent.

With respect to butter, canned meat, tea, and food concentrates neither the level of the corresponding period of last year nor that of the preceding month has been reached.

#### Housing construction

In January-November 1993 commissioning of housing in the Russian Federation was characterized by the following data:

	Commissioned, million square meters of total space	January-November 1993 as a Percentage of 1992	Share in Total Volume, in Percents
Enterprises and organizations of all forms of ownership	22.8	101	100
of them:			
state enterprises and organizations	11.8	96	52
joint-stock societies	5.0	116	22

As compared to the corresponding period of 1990 the volume of housing construction has declined by 40 percent.

The private sector (individual housing construction and cooperatives) accounted for approximately one-fifth of the total volume of the housing commissioned. The pace of

construction in this sector will increase by more than 3 percent as compared to the preceding year.

Overall over 1993, it is planned to put into place more than 42 million square meters of housing. The volume of housing construction is expected to increase in a majority of regions in Russia; an especially high pace of housing construction is

being observed in Tomsk, Ivanovo, Kostroma, and Ulyanovsk Oblasts and the city of St. Petersburg.

### Construction of Most Important Objects in the Agro-Industrial Complex

Capital investment worth R3.2 trillion from all sources of financing was put into strengthening the material and technical base of the agro-industrial complex [APK] and improving the social and living conditions of its workers in January-November of this year, which is 28 percent less than over the corresponding period of last year.

Money from the state budget of the Russian Federation comprises one-fifth of the total volume; it is directed mostly at construction of the APK's most important production objects in accordance with federal targeted programs. In 1993, construction of 910 such objects is envisaged at 709 construction sites in the Russian Federation. As of 1 December 1993, only 19 were actually put on line, including partial operation. The level of commissioning of the APK's most important production capacities and facilities comprised about 6 percent of the annual start-up program, which is seen from the following data:

	Quantity			Objects Put on Line Over January-November 1993	Utilization of Capital Investment Over January-November 1993	
	Construction Sites	Objects			Total	Billion Rubles, Including for Start-Up Construction Objects
		Total	Including Start-Ups in 1993			
Total	709	910	348	19	119.8	50.4
including by program:						
"Development of the Baby Food Industry"	73	73	12	—	11.7	2.2
"Russia's Bread"	65	119	36	1	16.9	5.9
"Sugar"	30	36	13	—	9.7	2.1
"Fish"	92	115	63	—	7.5	5.9
"Vegetable Oil"	8	11	5	—	6.2	5.9
"Fertility"	39	40	18	5	3.5	2.1
"Rebirth of the Russian Countryside and the Development of the APK"	252	349	134	10	44.1	19.7
"Rebirth of the Russian Linen"	18	27	11	—	0.9	2.5
Non-program part	132	140	56	3	19.3	6.1

As of 1 December 1993, work on 94 extremely important APK construction projects has not yet started; almost one-half of them are part of the "Development of the Baby Food Industry" and "Fish" programs. No construction is being done at a baby food plant in Kaluga, a baby food production department in Astrakhan, a city milk plant in Anapa in Krasnodar Kray, and a canned meat for babies production line at the meat packing combine in Neftekamsk in the Republic of Bashkortostan; reconstruction has not begun at Nikolskiy fish-breeding plant in Novgorod Oblast, at the production

base of the Novyy Oskol zone-wide fish breeder in Belgorod Oblast, at the expansion of Ruyga fish farm in Tver Oblast, and others.

### Export Cargo at Border Points at Railroads and in Ports

As a result of the uncoordinated work of enterprises and organizations participating in the transportation of export cargo, on average 13,000 railcars a day with export cargo were present in November of this year at border point and harbor-adjacent tracks of the Russian Federation railroads; 2,600 of them were railcars with timber, 1,700, with bituminous coal, and 1,300, with ferrous metals.

	Number of Railcars With Export Cargo in November 1993, (thousands)	
	On Average Per Day	As a Percentage of October 1993
Total railcars at border point and harbor-adjacent rail tracks	13.3	82
including the following railroads		
October	1.0	108
East-Siberian	0.4	109
North Caucasus	0.8	156
Transbaykal	2.1	60
Far-Eastern	9.0	83

The greatest number of railcars with export cargo were at the Far-Eastern railroad, 9,000 railcars (68 percent), including about 7,500 railcars destined for the ports and 1,500 railcars destined for border stations, which exceeded the established norms 2.1-fold and 1.5-fold, respectively.

As of 1 December of this year, 2.7 million tonnes of sea-bound export cargo have accumulated in the main sea ports in Russia, which is 37 percent more than on this date last year. The greatest remainders of this cargo were in the ports Nakhodka—561,000 tonnes (19 percent more than during the corresponding period of last year), Vostochnyy—480,000 tonnes, Vladivostok—282,000 tonnes, Vanino—246,000 tonnes (twice as much), St. Petersburg—354,000 tonnes (by 8 percent), and Kaliningrad—188,000 tonnes (1.7-fold).

Overall, remainders of export cargo awaiting shipping in the main sea ports increased by 1.4 percent as compared to 1 November of this year; they decreased in the ports of St. Petersburg, Vostochnyy, and Novorossiysk (by 4-11 percent), and increased in the ports of Kaliningrad, Vanino, and Vladivostok (by 9-16 percent).

#### Deliveries by Waterway Transport to the Regions of the Far North

As of 1 December of this year, about 43 million tonnes of cargo had been shipped to the regions of the Far North and areas equated to them, which is 25 percent less than the volume of the cargo shipped as of the same date last year.

	January-November 1993	January-November 1993 as a Percentage of January-November 1992
Total cargo shipped by waterways—total, thousand tonnes	42,999	75
by sea	7,638	72
by internal waterways	35,361	76
including:		
dry cargo	29,805	72
by sea	5,268	70
by internal waterways	24,537	72
liquid cargo	6,964	78
by sea	2,370	77
by internal waterways	4,594	79
timber in rafts by internal waterways	6,230	92

As compared to last year, the greatest decline in the volume of sea cargo deliveries was to the following ports: Dudinka (by 38 percent), Magadan (by 27 percent), and Petropavlovsk-Kamchatskiy (by 24 percent), to the ports of the White (by 48 percent) and Barents (by 27 percent) Seas, to Sakhalin (by 36 percent) and Chukotka (by 31 percent), and to the Eastern Arctic region (by 22 percent) and Eastern Kamchatka (by 21 percent).

Less liquid cargo has been delivered to the ports on the Barents Sea (by a factor of 2.4), the White Sea ports (by a factor of 1.7), to the Kuril Islands (by a factor of 1.9), Sakhalin (by a factor of 1.6), and Eastern Kamchatka (by a factor of 1.3), to the ports of Petropavlovsk-Kamchatskiy

(by a factor of 1.3) and Magadan (by a factor of 1.2) than as of the same date last year.

As of 1 December of this year, 22,000 tonnes of products and goods earmarked for coasting transportation (85 percent as compared with 1 December 1992) accumulated in the port of Vladivostok, which handles delivery of cargo to the northern ports that are open year-round; 22,000 tonnes were waiting in the port of Vostochnyy (136 percent), and 10,000 tonnes in the port of Vanino (63 percent).

#### Collection of Ferrous and Nonferrous Metal Scrap

In 1993 the volume of collection of metal scrap and waste by the Vtorchermet and Investortsvetmet organizations for supplying metallurgical production was characterized by the following data:

	Ferrous Metal Scrap		Nonferrous Metal Scrap	
	Million Tonnes	As a Percentage of the Corresponding Period of 1992	Thousand Tonnes	As a Percentage of the Corresponding Period of 1992
First quarter	1.9	55	67.7	55
Second quarter	2.5	63	76.7	63
Third quarter	2.0	65	53.7	56
October	0.63	63	18.3	60
November	0.59	61	16.8	61
Fourth quarter (forecast)	2.0	64	55.1	62
1993 (forecast)	8.4	61	253.2	59



Sales of metal scrap to the Vtorchermet and Investorts-vetmet procurement organizations have declined everywhere in the current year, and especially in the regions with high consumption of metal. In January-November, the procurement of ferrous metals scrap in Kemerovo, Lipetsk, and Yaroslavl Oblast amounted to less than 50 percent of the last year's level; in Tula, Orenburg, Chelyabinsk, Saratov, and Kirov Oblasts and the city of Moscow—between 52 and 64 percent. Procurement of

nonferrous metals scrap dropped by half in Maritime and Khabarovsk Krays, the cities of Moscow and St. Petersburg, and Leningrad Oblast.

#### Foreign Investment

Joint enterprises and foreign companies' investment in the development of the Russian economy is characterized by the following data (in billion rubles):

	January-September 1993	As a Percentage of Total	Proportional Share in the Volume for Russia Overall (in Percents)
Capital investment—total	312.9	100	2.6
including:			
construction and erection work	132.1	42	1.8
equipment, tools, implements	122.9	39	6.1
other work and expenditures	57.9	19	2.4

Of the total volume of investment, R237.7 billion, or 76 percent, went into the construction of production facilities, including R102.4 billion (33 percent) into fuels industry, R17.4 billion (5.6 percent) into woodworking and the pulp and paper industry, R12.4 billion (4.0 percent) into transportation and communications, R32.1 billion (10 percent) into construction, and R45.3 billion (14 percent) into trade and public catering.

Capital assets worth R108.0 billion have been put in operation, of which production facilities accounted for R105.2 billion (97 percent). Among the production capacities that have been put on line are those for production of 2,000 trucks (Lipetsk Oblast), for making R30 million worth of furniture (Perm Oblast), and for producing R725.7 million worth of equipment for oil prospecting and geologic survey drilling and the spare parts for it (Khanty-Mansy Autonomous Okrug).

#### Cost of the Basic Food-Product Selection (as of 12/14/93) According to Consumption Norms Corresponding to the Subsistence Minimum (Taking City Market Prices Into Account, Percentage of Change as Compared With Previous Registration)

City	Selection Cost (rubles, kopeks)	Percentage of Change
Magadan	15,200.03	-0.13
Yuzhno-Sakhalinsk	12,107.37	4.43
Yakutsk	10,840.19	6.70
Nakhodka	10,462.89	12.93
Komsomolsk-na-Amure	10,321.59	1.06
Vladivostok	10,050.83	1.57
Petropavlovsk-Kamchatskiy	9,637.58	1.41
Blagoveshchensk	9,618.88	1.02
Salekhard	9,239.22	2.33
Birobujan	8,788.11	9.19
Khabarovsk	8,679.11	3.29
Norilsk	8,171.73	2.46

#### Cost of the Basic Food-Product Selection (as of 12/14/93) According to Consumption Norms Corresponding to the Subsistence Minimum (Taking City Market Prices Into Account, Percentage of Change as Compared With Previous Registration) (Continued)

City	Selection Cost (rubles, kopeks)	Percentage of Change
Tolyatti	8,062.54	1.67
Apatity	8,036.26	2.04
Severodvinsk	7,897.06	1.96
Angarsk	7,821.23	0.42
Chita	7,715.08	-0.57
Irkutsk	7,481.80	-3.53
Groznyy	7,458.86	-4.36
Novokuznetsk	7,376.97	3.53
Novosibirsk	7,368.14	0.32
Tyumen	7,233.69	4.62
Chelyabinsk	7,138.29	0.94
Vorkuta	7,063.21	-0.31
Kemerovo	6,989.26	2.98
Samara	6,963.12	0.84
Murmansk	6,949.49	1.89
Kurgan	6,799.73	7.54
Syktyvkar	6,798.97	-1.39
Arkhangelsk	6,761.32	2.47
Prokopyevsk	6,588.01	6.11
Moscow	6,468.36	2.23
Petrozavodsk	6,452.28	-0.99
Yekaterinburg	6,449.61	1.42
Biysk	6,446.70	7.32
Orsk	6,299.44	2.66
Nizhniy Tagil	6,269.03	

**Cost of the Basic Food-Product Selection (as of 12/14/93)  
According to Consumption Norms Corresponding to the  
Subsistence Minimum (Taking City Market Prices Into  
Account, Percentage of Change as Compared With  
Previous Registration) (Continued)**

City	Selection Cost (rubles, kopeks)	Percentage of Change
Kyzyl	6,264.08	10.37
Barnaul	6,255.92	0.68
Makhachkala	6,181.60	2.84
Tomsk	6,172.80	-0.08
Syzran	6,170.53	2.43
Tayshet	6,157.26	8.05
Rubtsovsk	6,123.66	-0.45
Divnogorsk	6,107.04	3.17
Abakan	6,096.03	6.58
Ukhla	6,091.27	-1.93
Yurga	6,079.83	4.63
Kopeysk	6,037.60	3.49
Miasa	6,018.42	2.53
Orenburg	5,927.86	-0.59
Krasnoyarsk	5,912.99	2.85
Perm	5,893.79	4.46
Stavropol	5,874.58	0.34
Izhevsk	5,790.05	0.58
Novgorod	5,760.74	1.94
Cherepovets	5,706.06	0.72
Novorossiysk	5,679.93	3.53
Vladikavkaz	5,658.74	5.23
Orekhovo-Zuyevo	5,633.99	
St. Petersburg	5,587.86	4.23
Cherkessk	5,577.48	4.06
Tuapse	5,431.09	1.34
Astrakhan	5,370.00	0.07
Ryazan	5,366.76	1.08
Vologda	5,315.60	0.37
Ufa	5,306.05	3.64
Rybinsk	5,282.93	3.35
Elista	5,282.59	-1.36
Krasnodar	5,254.05	4.00
Volgograd	5,211.16	6.71
Nizhniy Novgorod	5,179.21	3.19
Saransk	5,168.99	3.91
Dzerzhinsk	5,163.63	2.63
Ivanovo	5,163.59	3.16
Electrostal	5,159.36	2.88
Balakovo	5,120.37	3.46

**Cost of the Basic Food-Product Selection (as of 12/14/93)  
According to Consumption Norms Corresponding to the  
Subsistence Minimum (Taking City Market Prices Into  
Account, Percentage of Change as Compared With  
Previous Registration) (Continued)**

City	Selection Cost (rubles, kopeks)	Percentage of Change
Nalchik	5,108.08	5.71
Shakhty	5,106.08	6.11
Kirovo-Chepetsk	5,102.47	2.53
Yaroslavl	5,086.13	-0.86
Maykop	5,084.73	2.44
Vladimir	4,965.59	2.04
Tula	4,958.29	11.49
Novomoskovsk	4,945.16	-7.53
Omsk	4,924.97	-0.34
Ishimbay	4,918.85	15.43
Penza	4,884.84	5.38
Kirov	4,876.27	1.18
Tambov	4,823.90	1.18
Kamyshin	4,821.15	1.06
Kaluga	4,811.92	-3.93
Obninsk	4,778.35	4.24
Volgodonsk	4,767.54	9.29
Tver	4,749.18	4.55
Rostov-on-Don	4,741.45	2.89
Pskov	4,724.67	2.51
Arzamas	4,655.67	8.45
Gornyyak	4,597.21	3.32
Lipetsk	4,587.31	-0.23
Sterlitamak	4,576.62	2.46
Armavir	4,566.45	1.23
Neftekamsk	4,548.92	2.20
Kostroma	4,534.09	2.71
Saratov	4,526.86	3.52
Shuya	4,525.04	4.34
Yelets	4,514.37	0.18
Taganrog	4,377.12	13.23
Yoshkar-Ola	4,338.26	1.41
Cheboksary	4,318.72	2.32
Smolensk	4,298.01	3.20
Novocheboksarsk	4,251.68	2.04
Belgorod	4,241.38	2.42
Shebekino	4,189.84	4.35
Bryansk	4,163.21	2.56
Novyy Oskol	4,051.26	8.67
Voronezh	4,049.47	2.43

**Cost of the Basic Food-Product Selection (as of 12/14/93)  
According to Consumption Norms Corresponding to the  
Subsistence Minimum (Taking City Market Prices Into  
Account, Percentage of Change as Compared With  
Previous Registration) (Continued)**

City	Selection Cost (rubles, kopeks)	Percentage of Change
Kazan	3,904.65	0.17
Kursk	3,885.02	-1.80
Sovetsk	3,830.25	1.32
Naberezhnyye Chelny	3,774.74	-0.17
Chistopol	3,615.87	1.30
Orel	3,216.99	0.98
Ulyanovsk	2,959.61	-0.24
Russian Federation	5,754.21	2.24

	11/30	12/07	12/14	12/21
Rate of price increases for goods and services	102.2	102.9	102.3	102.5
including:				
foodstuffs	102.0	102.9	102.2	102.3
nonfood items	102.5	102.5	102.5	102.4
paid services for the population	101.3	105.4	102.6	103.8

Over the elapsed week, there have been no significant differences in the rate of price increase by individual economic regions, with the exception of Kaliningrad Oblast, where prices rose by 5.4 percent.

Since the beginning of December, prices for consumer goods and services increased overall by 7.9 percent,

**DELOVOY MIR Economic Statistics, 29  
December**

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[Report on Russian Federation economic statistics, by Valeriy Galitskiy, Aris Zakharov, and Aleksandr Frenkel, the Russian State Committee on Statistics: "Prices Rise While Production Declines"]

[Text]

**Prices for Consumer Goods and Services**

Prices for consumer goods and services rose by 2.5 percent from 14 through 21 December of this year, including those for foodstuffs, by 2.3 percent; nonfood items, by 2.4 percent; and paid services for the population, by 3.8 percent.

The dynamics of weekly price increases over the past four weeks were as follows:

including those for foodstuffs and nonfood items—by 7.6 percent and for paid services for the population—by 12.2 percent.

**Foodstuffs**

Price changes by main categories of food products over the period from 14 through 21 December in organized trade and at city markets are shown below:

	As % of the preceding observation date		
	Total	Including	
		in organized trade	at city markets
All food products	102.3	102.4	102.1
including:			
Meat and meat products	101.4	101.2	102.1
Butter	103.5	103.5	102.3
Vegetable oil	103.0	102.7	104.7
Milk and milk products	104.1	104.3	102.8
Sugar	99.8	99.9	98.7
Confectionery items	103.0	103.0	103.0
Bread and bakery products	103.4	103.4	-
Cereals and macaroni items	103.6	103.7	98.9
Vodka	100.5	100.5	100.9
Potatoes and vegetables	103.1	103.2	103.0
Fruit	102.2	103.4	101.6

The greatest rise in foodstuffs prices (by 8.1 percent) was registered in Kaliningrad Oblast, and the lowest (1.5

percent)—in the Northwestern economic region.



Overall in organized trade in the Russian Federation, the most perceptible rise in prices was registered with respect to frozen fish, sour cream, some varieties of cereals, and eggs (by 5 to 7.5 percent). The trend of negligible increases (by 1-2 percent a week) in prices for meat products and vodka continued.

The cost of a consumer basket of 19 basic foodstuffs as of 21 December amounted to 29,900 rubles [R], calculated on a monthly basis. As compared with the preceding week it rose by 2 percent, and compared with the end of last year—sevenfold. The cost of the selection differed by individual regions by a factor of five: the highest cost of the consumer basket was registered in Magadan (R78,100), and the lowest in Ulyanovsk (R15,400). In Moscow and St. Petersburg it amounted to R34,300 and R29,000, respectively.

#### Nonfood Items

Prices for these items rose over the week by 2.4 percent. Prices for sewn items and knitwear increased at a somewhat

greater rate—by 3.5 percent and 2.6 percent, respectively. Prices for footwear, cultural, personal, and household items, as well as fuel sold to the population, have been rising by 1.1-2.0 percent weekly.

#### Services

Fees for paid services to the population rose by 3.8 percent over the third week of December. The cost of attending child care preschool facilities increased over the week by 10.5 percent, including 1.6-1.9-fold in Moscow, Makhachkala, Izhevsk, Novokuznetsk, and Kaliningrad. Fees for health care and notary public services increased over the week by 6-11 percent.

#### Inventories of Goods at Trade Enterprises

Changes in the inventories of basic consumer goods at officially registered enterprises in trade and industry are characterized by the following data:

	1 December 1993 as % of 1 December 1992		
	Total	including:	
		in wholesale trade and industry	in retail trade
Meat and poultry	86	92	71
Canned meat	80	96	76
Butter	130	144	103
Cheese	123	127	112
Sugar	151	174	109
Confectionery items	114	153	111
Fabrics	104	59	139
Clothing and underwear	109	86	114
Knitwear	118	78	130
Hosiery	72	66	76
Footwear	97	40	122

Inventory turnover at registered retail trade enterprises measured in June-November of this year at a 5.1 turnover value; at state-owned enterprises this value measured 4.7; in consumer cooperatives, 3.2; and at privately owned enterprises, 6.7.

#### Production of Most Important Categories of Industrial Products

Over the elapsed period of December 1993 (19 days) production of most varieties of products counted in the periodic reports has declined, which may be seen from the following table:

	Total items	Of them: production declined as compared to the corresponding period of			
		last year	% of total	the preceding month	% of total
Industry—total	156	137	88	92	59
including the following sectors:					
fuels and electric power	15	12	80	5	33
ferrous metallurgy	6	6	100	1	17
machine building and metal processing	31	25	81	13	42
chemical and petrochemical	24	24	100	20	83
timber, wood-processing, and pulp and paper	10	10	100	3	30
construction materials	9	8	89	8	89
light industry	14	12	86	12	86

(continued)	Total items	Of them: production declined as compared to the corresponding period of			
		last year	% of total	the preceding month	% of total
production of nonfood consumer items (without counting light industry products)	18	16	89	10	56
food processing	29	24	83	20	69

In the fuels and power generation sectors, over 19 days of December of this year production and extraction of main

varieties of energy resources is characterized by the following data:

	In real volume since the beginning of the month	Average daily production as % of the corresponding period of	
		last year	the preceding month
Electric power—billions of kw/hr	55.0	99.0	103
Thermal energy—millions of G-cal	57.2	97	105
Oil—millions of tonnes	15.7	90	99.1
Primary refining of oil—millions of tonnes	11.1	101	104
Natural gas—billions of cubic meters	34.2	99	100.3
Coal—millions of tonnes	15.5	94	106
including coal for coking	3.1	97	103

Half of the 32 associations of the Rosneft state enterprise have cut back on oil production as compared to the corresponding period of November of this year, including significant cutbacks at the Tatneft (by 8 percent), Komineft (by 5 percent), and Nizhnevartovskneftegaz (by 3 percent) associations. Oil production increased at the Yuganskneftegaz and Megionneftegaz associations.

Over the two ten-day periods in December, production of automotive gasoline increased by 5 percent as compared to the same period of the preceding month, and of boiler oil—by 7 percent. The level of diesel fuel production remained practically unchanged. Because of arrears in payments, there has been a cutback in oil deliveries to the Ryazan refinery plant; as a result, at this oil-refining enterprise that used to operate in a stable mode, the volume of primary oil refining dropped off by 17 percent, production of boiler oil decreased by 22 percent, and that of diesel fuel, by 14 percent.

Nine out of the 12 associations in the RAO [all-Russia joint-stock society] Gazprom have increased their production of gas; nevertheless, it is still 8 percent below last year's level, including in Urengoygazprom—by 7 percent, Orenburggazprom—by 3 percent, and Nadymgazprom—by 2 percent.

Over the elapsed period of December of this year, practically all enterprises in the coal industry have increased production, with the exception of the associations Yakutugol (where production fell off by 14 percent), and Vorkutaugol (where it fell by 11 percent), and the Severokuzbasugol concern—by 13 percent.

In ferrous metallurgy, the output of pig iron, steel, and rolled metal over 19 days of December declined by 2-4 percent as compared to the corresponding period of this year's November and by one-quarter as compared with last year.

Production in the metallurgical process is seriously affected by the shortage of scrap metal, the deliveries of

which to the sector's enterprises amounted to only one-half of normal requirements. The situation with respect to the supply of coking coal has improved somewhat. In December their reserves at metallurgical enterprises amounted to 67 percent of the norm, while in November the figure was only 56 percent. As a result, the burning out of coke over the elapsed period of December increased as compared to the corresponding period of November by 3 percent.

The output of steel pipe has declined as compared to the corresponding period of November by 9 percent, and that of last year—by 54 percent.

Over the elapsed days of December of this year, the average daily production of the corresponding period of last year has been exceeded with respect to one out of three monitored machine-building products. The greatest increase occurred in the output of large electric machinery (1.3-fold), pneumatic-chassis cranes and self-propelled graders (by a factor of 2-2.3). With respect to these products, however, there remains a considerable lag as compared to the level of the corresponding period of last year.

Production of special, specialized, and modular metal-cutting machine tools remains at last year's level.

The output of large electric machinery, low-capacity electric motors, and trucks amounted to almost one-half of that for the same period of last year; of traveling cranes, bulldozers, and main line freight cars—one-third; and of drop forges, automotive trailers and semitrailers, and tractors—less than 10-25 percent.

Over three weeks of December, the output of all varieties of chemical and petrochemical industry products counted in weekly reports lagged behind the level of the corresponding period of December of last year; with respect to some of them, the rate of production decline increased in the third week of the month:

	In real volume since the beginning of the month	Average daily production as % of the corresponding period of	
		last year	the preceding month
Synthetic ammonia—thousands of tonnes	419	83	91
Sulphuric acid—thousands of tonnes	316	61	90
Calcinated soda—thousands of tonnes	80.7	64	98
Mineral fertilizer—thousands of tonnes	315	70	99.4
Polystyrene and copolymers of styrene—thousands of tonnes	6.3	78	90
Automotive tires—thousands of units	1,412	70	88

There has been a 40-65-percent decline as compared to the December level of last year in the average daily output of polyvinylchloride resins, pipe and pipeline components made of thermoplastics, polyvinylchloride-based plastics, chemical filament and fiber, microbiological fodder protein, and automotive tires for agricultural vehicles.

At the same time, the average daily output of certain varieties of products has increased as compared to the corresponding period of November of this year, including

phosphate fertilizer—by 18 percent, and polyvinylchloride resin and polypropylene—by 2 percent.

In the timber, woodworking, and pulp and paper industry, the daily production of most varieties of timber products over the elapsed 19 days of December exceeded the volume of the corresponding period of this year's November, with the exception of wood-chip board, paper, and cardboard. At the same time, as compared to the corresponding period of December 1992, the output of all categories of the industry's products has declined:

	In real volume since the beginning of the month	Average daily production as % of the corresponding period of	
		last year	the preceding month
Hardwood fiberboard—millions of standard square meters	13.8	72	104
Commercial cellulose—thousands of tonnes	79.2	87	140
Paper—thousands of tonnes	134	79	96

The daily production of commercial timber fell off by more than one-third as compared to the December level of last year, which has led to a reduction in the output of sawn

lumber—by 37 percent, matches and mine props—by half, and cardboard—by one-quarter.

The situation in the construction materials industry was as follows:

	In real volume since the beginning of the month	Average daily production as % of the corresponding period of	
		last year	the preceding month
Cement—thousands of tonnes	1,989	86	80
Construction brick—millions of units of standard bricks	470	85	98
Roof slate—millions of standard tiles	77.0	40	84
Asbestos-cement pipe and couplers—kilometers of standard pipe	245	52	72
Asbestos—thousands of tonnes	18.6	30	75
Window glass—millions of square meters in natural units	4.4	66	87

As a result of a 19-percent decline in the daily production of pliable roofing materials over the period from 13 through 19 December as compared to the first 12 days, their output over the entire elapsed period of the month amounted to only 75 percent of the December level of last year (79 percent over 12 days of December).

The output of cement dropped down to 105,000 tonnes a day as compared to 111,000 over the first two weeks of the month and was the lowest since the beginning of the year.

In light industry over the elapsed period of December as compared with the analogous period of the preceding

month, there has been an increase in the average daily production of cotton and linen fabrics and sackcloth. At the same time, production of woolen and silk fabrics, hosiery, and footwear declined by 13-18 percent, and of knitwear—by 5 percent. The December 1992 level has been exceeded only in production of cotton fabrics, while the output of woolen fabrics and footwear fell off by half; silk fabrics decreased by 42 percent; linen fabrics, sack cloth, and knitwear, by almost one-third; and hosiery, by 24 percent. There has been a considerable decline in the output of footwear for children—by 58 percent.



In the production of **radio electronics and complex home appliances**, as compared with the corresponding period of November, there was an increase in the production of electric vacuum cleaners, tape recorders, sewing machines, bicycles, and other varieties of goods. At the same time, there was a decline in the average daily production of refrigerators and freezers, television sets, and washing machines (by 2-12 percent), knitting machines, radio receivers, and photo cameras (by 11-25 percent), electric irons (by one-third), and motorcycles (by almost one-half). As compared with the analogous period of last year, production declined with respect to all categories of goods (with the exception of galvanic cells and batteries and regular light bulbs): the output of photo cameras and electric irons fell off by two-thirds; electric vacuum cleaners, washing machines, radio receivers, and video tape recorders, by half; and tape recorders and knitting machines, by 40 percent.

Due to material and financial difficulties, since the beginning of the year there has been no production of washing machines at the Nizhniy Novgorod automotive plant, PO [industrial association] GPZ-4 (Samara); of radio receivers—at PO Radiopribor in Velikiye Luki (Pskov Oblast), radio electronic plant Sokol (Moscow), and the Kamensk-Uralsk radio electronics plant (Sverdlovsk Oblast).

Over 19 days of this December, production of a majority of 21 varieties of **foodstuffs** counted in weekly reports (with the exception vegetable oil and canned milk products) has declined as compared to both the corresponding period of last year and that of the preceding month. Among them are meat, butter, cheeses, whole milk products, macaroni items, and others.

There has been a considerable decline as compared with the corresponding period of last year in the production of canned fruit and vegetables, macaroni items, tea, and mineral water (by 33-41 percent), as well as whole-milk products, margarine, meat, butter, and canned meat (by 13-28 percent). Production of food concentrates fell off by more than half.

Among the daily necessities, over the elapsed days of this December as compared to the analogous period of last year the output of household soap and creams declined by half; of facial soap and creams [as published]—by 42 percent; and synthetic detergents—by one-third.

#### Shipping by Railroad

There has been 15 percent less freight loaded on average per day at Russian Federation railroads over 20 days of December of this year than during the corresponding period of last year, and 2 percent less than over 20 days of November of this year.

	Freight loaded over 20 days of December 1993		
	Thousands of tonnes on average a day	As % of the corresponding period of the preceding month	As % of the corresponding period of last year
Freight—total	3,284.9	98	85
including:			
bituminous coal	776.8	104	100.1
coke	23.0	99.6	95
oil and petroleum products	518.3	107	93
iron and manganese ore	214.4	92	95
ferrous metals	147.6	103	72
scrap of ferrous metals	33.7	93	71
chemical and mineral fertilizer	66.4	90	62
cement	81.7	76	86
timber cargo	155.2	120	64
grain and milling products	105.6	105	83
construction cargo	530.3	94	85
imports	91.5	105	98

As compared to 20 days of November 1993, the volume of loading has dropped off at Southeastern (by 17 percent), East Siberian (by 9 percent), Moscow and North Caucasus (by 8

percent each), Gorkiy (by 4 percent), October and Volga (by 3 percent each), Kaliningrad and South Urals (by 2 percent each) and Sverdlovsk (by 1 percent) Railroads.

**City and Local Transportation**

During seven days—the period from 6 through 12 December of this year—in 25 percent of the republic capital cities and kray and oblast centers more than 15 percent of the planned trips by city ground passenger transportation were not made. The figures for individual cities are presented below:

	Scheduled trips not made by urban transportation	
	(thousands)	(%)
Cities where 30% and more of the scheduled trips were not made		
Groznyy	5.2	62
Makhachkala	5.3	47
Astrakhan	7.0	32
Vladikavkaz	7.3	31
Cities where from 20% to 30% of the scheduled trips were not made		
Moscow	213.3	26
Saransk	5.3	26
Krasnoyarsk	18.6	24
Cherkessk	0.9	22
Orenburg	12.2	22
Yuzhno-Sakhalinsk	1.3	21
Vladivostok	6.2	20
Cities where from 15% to 20% of the scheduled trips were not made		
Smolensk	4.0	19
Cheboksary	7.1	18
Khabarovsk	5.0	18
Krasnodar	11.0	17
Nalchik	3.4	16
Maykop	2.6	16
Elista	1.3	16
Rostov-na-Donu	17.6	15
Tver	3.7	15
Kyzyl	0.4	15

As compared to the same period of last year the number of trips actually made by city ground transportation in Nizhniy Novgorod decreased by 67 percent; in Saransk and Yakutsk—by 22 percent; Pskov—by 19 percent; Orenburg—by 14 percent; Krasnoyarsk—by 13 percent; and in Astrakhan, Krasnodar, and Barnaul—by 12 percent.

The most unsatisfactory was suburban bus service this week in the following cities: Groznyy (51 percent, or 300, scheduled runs not performed); Astrakhan (31 percent, 200); Makhachkala (39 percent, 400); Rostov-na-Donu (26 percent, 1,100); Novosibirsk (23 percent, 1,000); Elista (20 percent, 100); Cherkessk (19 percent, 300); Moscow (16 percent, 8,200); Vladivostok (15 percent, 100); and Maykop (13 percent, 400).

During the period from 6 through 12 December of this year, 47 runs on local commuter electric trains (1 percent

of the number scheduled) were canceled in St. Petersburg; in Volgograd—84 runs (10 percent); Yekaterinburg—22 runs (3 percent); Kursk—seven runs (5 percent); two runs (1 percent) were canceled in Tver and Kirov each; and one run (0.3 percent) in Rostov-na-Donu.

**Cost of the Basic Food-Product Selection (as of 12/21/93)  
According to Consumption Norms Corresponding to the  
Sustenance Minimum (Taking City Market Prices Into  
Account)**

City	Selection cost (rubles, kopeks)	Percentage of change as compared with previous registration
Magadan	15,327.77	0.84
Yuzhno-Sakhalinsk	11,982.42	-1.03
Yakutsk	10,957.29	1.08
Nakhodka	10,715.64	2.42
Vladivostok	10,602.96	5.49
Komsomolsk-na-Amure	10,524.91	1.97
Blagoveshchensk	9,952.19	3.47
Petropavlovsk-Kamchatskiy	9,669.27	0.33
Salekhard	9,259.35	0.22
Khabarovsk	8,937.86	2.98
Tolyatti	8,858.45	9.87
Chita	8,319.91	7.84
Apatity	8,179.03	1.78
Irkutsk	8,160.86	9.08
Norilsk	8,157.73	-0.17
Angarsk	8,084.52	3.37
Groznyy	7,898.98	5.90
Severodvinsk	7,841.51	-0.70
Chelyabinsk	7,756.86	8.67
Novosibirsk	7,662.09	3.99
Novokuznetsk	7,449.15	0.98
Syktyvkar	7,431.59	9.30
Kemerovo	7,329.91	4.87
Vorkuta	7,275.65	3.01
Tyumen	7,229.77	-0.05
Murmansk	7,221.85	3.92
Arkhangelsk	7,094.78	4.93
Abakan	6,921.66	13.54
Ukhta	6,902.74	13.32
Kurgan	6,846.36	0.69
Samara	6,839.76	-1.77
Gorno-Altaysk	6,728.12	
Moscow	6,575.67	1.66
Barnaul	6,547.02	4.65
Petrozavodsk	6,540.74	1.37

**Cost of the Basic Food-Product Selection (as of 12/21/93)  
According to Consumption Norms Corresponding to the  
Sustenance Minimum (Taking City Market Prices Into  
Account) (Continued)**

City	Selection cost (rubles, kopeks)	Percentage of change as compared with previous registration
Prokopyevsk	6,531.43	-0.86
Orsk	6,485.02	2.95
Kopeysk	6,465.80	7.09
Syzran	6,431.47	4.23
Berdsk	6,412.44	
Divnogorsk	6,384.44	4.54
Biysk	6,336.66	-1.71
Tomak	6,327.59	2.51
Orenburg	6,297.77	6.24
Krasnoyarsk	6,258.11	5.84
Rubtsovsk	6,230.10	1.74
Yurga	6,112.96	0.54
Tayshet	6,100.34	-0.92
Cherepovets	6,086.67	6.67
Makhachkala	6,077.74	-1.68
Perm	5,991.42	1.66
Izhevsk	5,867.39	1.34
Stavropol	5,860.70	-0.24
Novorossiysk	5,794.52	2.02
St. Petersburg	5,718.74	2.34
Kyzyl	5,709.35	-8.86
Orekhovo-Zuyevo	5,624.94	-0.16
Cherkessk	5,607.06	0.53
Novgorod	5,603.64	-2.73
Shakhty	5,546.56	8.63
Kaluga	5,468.16	13.64
Vologda	5,468.14	2.87
Rybinsk	5,463.23	3.41
Ryazan	5,462.13	1.78
Tuapec	5,451.39	0.37
Ufa	5,410.58	1.97
Yaroslavl	5,393.96	6.05
Vladikavkaz	5,373.80	-3.04
Kamyshin	5,358.75	11.15
Dzerzhinsk	5,319.83	3.03
Astrakhan	5,295.79	-1.38
Ivanovo	5,292.62	2.50
Krasnodar	5,292.55	0.73
Nizhniy Novgorod	5,269.10	1.74
Elista	5,259.27	-0.44

**Cost of the Basic Food-Product Selection (as of 12/21/93)  
According to Consumption Norms Corresponding to the  
Sustenance Minimum (Taking City Market Prices Into  
Account) (Continued)**

City	Selection cost (rubles, kopeks)	Percentage of change as compared with previous registration
Saransk	5,239.11	1.36
Maykop	5,173.26	1.74
Elektrostal	5,153.85	-0.11
Novomoskovsk	5,137.30	3.89
Kirovo-Chepetsk	5,121.79	0.38
Obninsk	5,108.92	6.92
Balakovo	5,104.37	-0.31
Penza	5,080.23	4.00
Volgograd	5,063.86	-2.83
Nalchik	5,062.55	-0.89
Omsk	5,020.98	1.95
Kirov	5,005.75	2.66
Gornyyak	4,992.11	8.59
Rostov-na-Donu	4,977.45	4.98
Volgodonsk	4,966.68	4.18
Vladimir	4,918.80	-0.94
Pskov	4,892.96	3.56
Tver	4,845.10	2.02
Saratov	4,827.12	6.63
Tambov	4,825.38	0.03
Armavir	4,765.56	4.36
Arzamas	4,750.79	2.04
Tula	4,746.91	-4.26
Yelets	4,715.53	4.46
Shuya	4,641.96	2.58
Lipetsk	4,637.70	1.10
Sterlitamak	4,635.17	1.28
Ishimbay	4,604.23	-6.40
Neftekamsk	4,587.49	0.85
Kostroma	4,523.95	-0.22
Cheboksary	4,434.76	2.69
Kazan	4,421.24	13.23
Belgorod	4,418.96	4.19
Smolensk	4,416.56	2.76
Naberezhnyye Chelny	4,388.61	16.26
Yoshkar-Ola	4,386.01	1.10
Novocheboksarsk	4,302.73	1.20
Shebekino	4,261.99	1.72
Novyy Oskol	4,206.23	3.83
Bryansk	4,202.60	0.95



**Cost of the Basic Food-Product Selection (as of 12/21/93)  
According to Consumption Norms Corresponding to the  
Sustenance Minimum (Taking City Market Prices Into  
Account) (Continued)**

City	Selection cost (rubles, kopeks)	Percentage of change as compared with previous registration
Sovetsk	4,176.32	9.04
Voronezh	4,106.91	1.42
Chistopol	4,090.56	13.13
Kursk	3,896.94	0.31
Orel	3,390.71	5.40
Ulyanovsk	2,924.23	-1.20
Russian Federation	5,852.97	1.72

The cost of a selection is used for calculation of the sustenance minimum; the selection consists of 25 basic foodstuffs. It is calculated on the basis on consumption norms developed by the Nutrition Institute of the Academy of Medical Science jointly with the Institute for Demographic Socioeconomic Problems of the Russian Academy of Sciences and the Ministry of Labor of the Russian Federation.

The aforementioned selection includes: rye-wheat bread (68.7 kg), wheat bread (62.9 kg), wheat flour (19.5 kg), rice (3.7 kg), millet (9.8 kg), vermicelli (5.2 kg), potatoes (124.2 kg), fresh cabbage (28.1 kg), carrots (37.5 kg), other vegetables (28.4 kg), apples (19.4 kg), sugar (20.7 kg), beef (8.4 kg), poultry (17.5 kg), bologna (0.45 kg), salami (0.35 kg), frozen fish (11.7 kg), milk (123.1 liter), sour cream (1.6 kg), butter (2.5 kg), cottage cheese (9.9 kg), hard cheese (2.3 kg), eggs (151.4 units), margarine (3.9 kg), and vegetable oil (6.4 kg).

The aforementioned consumption volumes are indicated on a per-year, per-capita basis and have been approved by the Ministry of Labor on 11/10/92 in the Recommendations on the Methodology of Calculation of the Sustenance Minimum by Russian Regions.

Only those cities were taken into consideration where not more than four items from the listing were absent during the given or preceding price registration.

The cost of the basic food products selection is calculated on a weekly basis.

#### **MVD Official on Bank Fraud**

944E0341A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 29 Dec 93 p 4

[Article by Colonel of Militia Kuzma Shalenkov, chief of department of the Main Administration on Economic Crimes of the MVD of Russia: "How Do We Respond to Bandit Terror?"]

[Text] Up until 1991 the number of crimes registered in the banking system were few in number, but in 1992 the organs of Internal Affairs of Russia instituted 617 criminal cases involving facts of criminal phenomenon, but for 11 months of this year—more than 1,500! The greatest public

danger is characterized by embezzlement with the use of counterfeit advice notes, Rossiya checks, and other payment documents.

The first information on embezzlement using fictitious advice notes began to show up in January-May 1992, when 12 forged documents with requisitions of banks of the Chechen Republic turned up within the purview of employees of the Main Administration for Fighting Economic Crimes. Over 1,400 cash centers of the Bank of Russia began to calculate the "Chechen advice notes." The Ministry of Internal Affairs proposed that the leadership of the former Supreme Soviet make it incumbent upon the TsBR [Central Bank of Russia] to verify the payments and report on the results obtained, not to the MVD but to the Supreme Soviet.

More than a year passed. In some regions, payments were not yet verified for 1990.

V. Gerashchenko, head of the Central Bank of Russia, said that somehow employees of the Central Bank of Russia had succeeded in "catching" fictitious payments for 1 trillion rubles [R], but nonetheless, 5-10 percent, on his admission, got through; that is, R50-100 billion was credited this year and the money embezzled. However, the Central Bank is not hurrying to complete the work on verification of payments, as the results obtained will show the ineffectiveness of the bank's activity in regulating money circulation. But to place the blame for what happened only on the Central Bank would be the height of injustice. Evidence was acquired within the scope of specific criminal cases that the organizers of acts concerning crediting resources according to counterfeit documents were sometimes bank employees themselves, and sometimes also the managers of those banks that were experiencing a "credit shortage." In just one of the criminal cases, criminal proceedings are being instituted against Lazarev, who works as the director of the Moscow branch of the KB [commercial bank] Terra-Bank, his deputy, Shchebrev, and the chief bookkeeper of the Moscow branch of the East-Siberian Commercial Bank, Nikishin. In another case, the chairman of the board of the Soyuzprombank, Letunov, was arrested. Evidence was also obtained regarding participation in embezzlement of I. Medkov, manager of the Pragma-Bank, who was killed in September of this year. This sorrowful list can be continued.

Sometimes financial swindling happens out of sympathy for, so to say, professional solidarity. The former chief bookkeeper of the RKTs [cash center] of the Main Administration of the Central Bank of Russia for the city of Moscow, Prilepsheva, knew that R2.7 billion being earmarked for a client of the Progressbank commercial bank were not secured by real resources, but she made a temporary credit entry of the indicated sum to a correspondent account of the bank. She explained this with the fact that the bank was in a difficult financial position, and she felt very bad for her good friend who works in this bank as a bookkeeper.

The gratuitous use of state resources becomes food for other commercial banks. Thus, for example, out of the 10 commercial banks being studied by our group, more than R20 billion were credited for 45 counterfeit advice notes.

The monetary resources were at the disposal of the banks from one to eight or nine months, after which the "forgery" was "suddenly" found and the sums written off. It is perfectly clear that R20 billion in October-December 1992 was nowhere near the same as R20 billion in August-September 1993.

The interests of the bank also require criminal-legal protection. A "debit balance" sometimes arises because credits are dispensed but the bank cannot get them back—there are no capabilities. Swindling borrowers know this, and take advantage of it to the utmost.

There is only one solution at the stage of forming market relations—intensify criminal-legal repression. If you take bank credit, you return it with interest at the specified date. If you fail to do so—it means jail. Otherwise, order cannot be maintained.

As a preventive measure, the Main Administration for Fighting Economic Crimes of the MVD of Russia is developing a mechanism for the Association of Russian Banks to access name and fingerprint reports on individuals. After all, before doing business with a person it is not bad to know at least something about his past, especially if it is a criminal past. The second step in this direction will be the formation at the Interdepartmental Commission on the Coordination of the Actions of Banks and Law Enforcement Organs of a federal report of structures that are parasites on the market economy, and also the same kind of report on persons who work in these structures.

#### Fate of Large Diamond Deposit Discussed

944E0353A Moscow KOMMERSANT-DAILY in Russian  
23 Dec 93 p 9

[Report by Vladimir Teslenko: "The Largest Diamond Deposit Will Not Be Frozen"]

[Text] A representative conference on problems related to development of one of the world's largest diamond deposits

in Arkhangelsk Oblast was held at the Roskomdragmet [Russian Federation Committee on Precious Metals and Precious Stones] yesterday. The conference considered several alternative solutions. The principal discussion centered on a political solution of the feasibility of beginning mining operations.

*The Deposit imeni Lomonosov is situated in an ecologically vulnerable area of the Arctic region with poor soils and powerful subterranean aquifer beds. The deposit's reserves are estimated at 130 million carats. The diamond content per metric ton of ore is approximately 0.6 carat, and about 50 percent of it is suitable for jewelry.*

The "Severalmaz" AO [Joint-Stock Company] was formed by government decision in 1992 to develop the Deposit imeni Lomonosov. The principal stockholders are the Arkhangelsk Oblast Property Fund (25 percent), "Arkhangelskgeologiya" (16 percent), and "Atomredmetzoloto" (16 percent). The "Severalmaz" AO submitted an application on 2 November 1992 to the Roskomnedra [Russian Federation State Committee for Geology and the Use of Mineral Resources] for a license to develop the deposit. It took roughly a year in Moscow to coordinate the business plan, the financial report, the operation's ecological feasibility report, and other documents. In the opinion of KOMMERSANT-DAILY experts, not one of the three alternatives for mining operations (See table) is ecologically irreproachable. There has been no final decision on the fate of the deposit thus far. This should have been reached at yesterday's Roskomdragmet conference, to which executives of the Roskomnedra, the Minprirody [Ministry of Environmental Protection and Natural Resources], the Arkhangelsk Administration, and the "Severalmaz" AO itself were invited. Inasmuch as Arkadiy Lechugin, cochairman of the commission on a tender to prospect in the seven areas containing diamonds in Arkhangelsk Oblast, was present at the conference in Moscow, we will report on the results of the bid (See KOMMERSANT-DAILY of 22 December) in tomorrow's issue.

#### Working Version of the TEO [Technical and Economic Feasibility] for Large-Scale Development of the Imeni Lomonosov Diamond Deposit

Parameter	Underground Development	Open Development	Development by Combined Method
Total capital investment, in billions of dollars	5.7	5	6
Period for deposit's development, in years	11	9	21
Intensity of operation, in millions of metric tons annually	5	5	5
Period of deposit's operation, in years	36	28	43
Degree of diamond extraction from ore, in percent	66	60*	80*

\* According to KOMMERSANT-DAILY experts.

KOMMERSANT-DAILY experts believe that several alternative solutions could have been considered at the conference. The first one is the freezing of operations at the deposit, with the possible payment to the Arkhangelsk Administration of "compensation" from diamond-mining Yakutia. The second one is a recommendation to authorize

the "Severalmaz" AO to undertake large-scale development. The third alternative is to advertise an international competition for the deposit. Finally, the most likely alternative is experimental-industrial development in the first stage (2 to 3 years) of two small pipes by two different technologies (an underground working and an open cut).

Diagram Showing Location of Kimberlite Pipes in the Diamond Deposit Imeni Lomonosov



Key:—1. Lomonosovskaya [Pipe]—2. Pomorskaya—3. Pionerskaya—4. Karpinskiy No. 1—5. Karpinskiy No. 2—6. Arkhangelskaya—7. Zolotitsa River

As Leonid Gurevich, deputy chairman of the Roskomdragmet, told a KOMMERSANT-DAILY correspondent, the conference managed to "make substantial progress." In the opinion of KOMMERSANT-DAILY experts, this means that the first alternative (freezing the deposit) was turned down.

#### Activities of State Committee on Precious Metals, Stones Questioned

944E0351A Moscow SEGODNYA in Russian  
30 Dec 93 p 3

[Article by Mikhail Leontyev: "Diamond-Trade Zhirinovskiy Taking Advantage of an Opportunity: Political Chaos Is Allowing Destabilization of the World Diamond Market"]

[Text] The struggle to destroy the world diamond market was not the most prominent, but one of the most subtle pleasures of the late Supreme Soviet. A special committee on precious stones and metals was established in it, headed by Leonid Guryevich, the democratic television personality from Murmansk who somehow considered himself a great expert in this area, a sphere that is already rather greatly specialized. For his outstanding services in the field of destabilization of the diamond market following dissolution of the parliament, Mr. Guryevich was appointed deputy chairman of the Committee on Precious Metals. While the Ministry of Finance attempted long and unsuccessfully to remove the chairman of this committee, Yevgeniy Bychkov, from his position, accusing him with justification of numerous financial transgressions in which that very same Mr. Guryevich participated as a partner.

Following the lead of the directors of the Russian Committee on Precious Metals (the former USSR State Valuables Depository), the parliamentary committee began to wage a campaign in the finest populist traditions regarding the seemingly extortionate agreement with the international De Beers corporation, a monopoly that sells all unprocessed Russian jewelry diamonds on the world market.

Some commentary on the particular features of the diamond market is necessary here. Expenditures of producers on the extraction and sale of unprocessed diamonds are not only great, they also involve a tremendous time lag between initial investment and sale. The entirety of diamond production in the world is maintained solely through sales of jewelry diamonds—the production of industrial-use diamonds in itself is unprofitable. The final stage of the diamond market—the sale of jewelry items containing cut diamonds—depends strictly on the economic situation that exists in the main consumer countries (United States, West Europe, Japan). That very "evil De Beers" spends more than \$300 million on diamond advertisements, though not trading in diamonds at all, with the aim of boosting final demand. Stability of the economic state of the diamond production industry (or more simply—its survivability) is directly related to support for the stability of the world diamond market, which is provided by the De Beers monopoly and its central marketing organization (CMO). De Beers purchases raw diamonds from producers at fixed prices within the framework of a quota stipulated by agreements and bears a tremendous financial load, paying for stocks of raw diamonds during periods of poor market conditions. Indeed, De Beers controls the "free" diamond market exchange, buying up diamond contraband unloaded by diverse international variants of the demagogue Guryevich to circumvent existing agreements. Incidentally, one year ago De Beers was forced to spend 6-8 million pounds sterling per day to buy up contraband Angolan diamonds on the market which found their way to Antwerp as a result of the chaos caused by the civil war in Angola.

For the time being we do not have any civil war in Russia. Things are going excellently, however, with respect to chaos. Mr. Bychkov, a contender for the record in political survivability, and his colleague, Mr. Guryevich, have long been obsessed with the idea of increasing the percentage of jewelry diamonds sold freely and independently on the world market to 20 percent. In this regard, these gentlemen are not disturbed by the fact that Russia lacks the assets for financing diamond stocks and all the commotion on the establishment of Russia's own "De Beers" died down after it became clear that the company Diamonds of Russia, established for this experiment, was unable to find hard currency to purchase the first consignment of diamonds from production enterprises. The zealots of diamond patriotism are not troubled by the fact that professionals engaged in the extraction and trade of raw diamonds are the most skeptical in assessing their labors.

It must be noted that rumors spread by certain figures with respect to some kind of supposedly fantastic CMO margin are related to a lack of understanding of the fact that De Beers is the largest producer in the world of raw diamonds



(Republic of South Africa, Botswana) and is vitally concerned with stability of the market and market prices. In other words—in supporting the interests of the producers, just as Russia is. Let other people concern themselves about the diamond consumers—Mr. Bychkov and Mr. Guryevich, for example.

Until today, against the background of demagoguery and dealing in petty contraband through joint enterprises related to the Committee on Precious Metals, the fact that the contract with De Beers is effective until 1995 has been a restraining factor. However, a loophole has been discovered here, entirely unexpectedly it seems. First of all, the political state of affairs: the government has stated it will support a portion of the budget deficit through sales of diamond stocks of the Committee on Precious Metals on the domestic market. On the other hand, the fairly broad spectrum of low-carat raw diamonds previously considered industrial-use has become available for processing thanks to the selfless labor of Indian jewelers. It is these stones that the Committee on Precious Metals has decided to quietly unload on the Antwerp and Tel-Aviv markets. In this regard, all the experts of the Committee on Precious Metals and its subsidiary organizations, on the one hand, deny getting rid of raw diamonds, and on the other, revile the existing agreement with De Beers. Stating that "we have never unloaded diamonds in Antwerp," Boris Pozdnyakov, deputy chairman of the Committee on Precious Metals, strongly undermines the value of his guarantees. The USSR State Valuables Depository and its partners were once caught engaging in such business. Pavel Kovylin, representing Almazyuvelexport, a branch of the company Diamonds of Russia-Sakha, acknowledges "the existence of a problem" on the intellectual level. He has not decided to express himself more definitively, however.

As a result, De Beers is spending money to buy up not Angolan but Russian diamonds (totaling close to \$80 million in value), the understanding between Russia and its strategic partner for 30 years is placed in doubt, and the market—in no way the least important from the point of view of Russia's long-term national interests—finds itself threatened, while Mr. Bychkov and Mr. Guryevich acquire capital based on this, political capital at the least. In principle, the logic displayed by the Committee on Precious Metals team coincides entirely with Zhirinovskiy's patriotic escapades, each of which will inflict real material damage to Russia in the form of falling prices for delivered raw material, insofar as the stability of shipments and potential capacity for reaching agreements with Russian partners are placed in doubt. Thus, the political and economic situation today has become for some people the long-awaited murky current where, as we know, one goes fishing.

#### **Edict, Statute on Property Fund Functions**

944F0245A Moscow ROSSIYSKIYE VESTI in Russian  
30 Dec 93 p 3

[“Edict of the President of the Russian Federation: Questions of the Russian Federal Property Fund” and “Statute on the Russian Federal Property Fund”]

[Text]

#### **Edict of the President of the Russian Federation: Questions of the Russian Federal Property Fund**

In order to provide for the sale of objects of privatization during the period of stage-by-stage constitutional reform in the Russian Federation and pursuant to Edict of the President of the Russian Federation 7 October 1993 No. 1598 “On Legal Regulation During the Period of Stage-by-Stage Constitutional Reform in the Russian Federation,” I decree:

1. It shall be established that the Russian Federal Property Fund shall be a specialized financial institution under the Council of Ministers-Government of the Russian Federation and shall be among the organs and organizations whose activity shall be coordinated by the deputy chairman of the Council of Ministers-Government of the Russian Federation.

The appended Statute on the Russian Federal Property Fund shall be approved.

The existing conditions and procedure for labor compensation for management workers, specialists, and employees of the Russian Federal Property Fund and its local offices shall be preserved.

2. It shall be established that the rights of the Russian Federal Property Fund and also the rights of other property funds delegated to them by the Russian Federal Property Fund by way of granting them the status of local offices of the latter or because of agreements concluded with it shall be terminated with respect to the following shares in joint-stock companies created by way of the transformation of federally owned state enterprises:

—those that were not sold by the deadlines established by the plan-schedules for conducting specialized check auctions or the enterprise privatization plans approved by committees for management of state property according to the established procedure;

—those that were started by joint-stock companies created according to the procedure for the transformation of enterprises which had as of 1 January 1992 a balance sheet value of fixed capital of more than 250 million rubles [R] and were turned over for sale after 10 August 1993, unless the published information report on their sale stipulates conducting an interregional check auction.

Within a month's time the aforementioned shares shall be turned over by the State Committee of the Russian Federation on the Administration of State Property for sale to property funds of the republics of the Russian Federation, krais, oblasts, autonomous oblast, autonomous okrugs, cities, and rayons according to the procedure established by the present Edict.

3. It shall be established that the transfer of shares in joint-stock companies created according to the procedure for the transformation of federally owned state enterprises for sale to the Russian Federal Property Fund and the property funds of the republics of the Russian Federation, krais, oblasts, autonomous oblast, autonomous okrugs, cities, and rayons shall be carried out by the State Committee of the Russian Federation on the Administration of State Property or its territorial agency which approved the

plan for privatization of the enterprise exclusively on the basis of the agreement concluded with the property fund and according to the following procedure:

- the property fund shall receive shares intended for sale to workers of the privatized enterprise who have the right to benefits and individuals on an equal footing with them in keeping with legislation of the Russian Federation and also at a specialized check auction by the deadline determined by the privatization plan and the plan-schedule for conducting such auctions;
- within 15 days of the expiration of the aforementioned deadline the property fund must submit to the property administration committee documentary confirmation of the sale of the corresponding quantity of shares;
- after this confirmation is submitted to the property fund, the shares in the given joint-stock company intended for sale by other means shall be turned over.

The agreement concluded with the property fund for these purposes must envision unconditional termination of the rights of the property fund with respect to transferred shares that have not been sold by the final sales deadline established by the plan-schedule for conducting specialized check auctions, the privatization plan or additions to it, and also any other shares of the same issuer and shares sold in violation of the conditions and procedure for their sale established by the enterprise privatization plan and legislation of the Russian Federation.

4. It shall be established that the initial price of the shares in joint-stock companies created according to the procedure for transformation of state and municipal enterprises, when they are sold at an auction or competition, including for investment, shall be equal to the nominal value of the shares, regardless of the form of payment.

Property funds that conduct the sale of objects of privatization for privatization checks shall draw up and submit to the corresponding property administration committees with the status of a territorial agency of the State Committee of the Russian Federation on the Administration of State Property report documents on the acceptance, storage, and collection on privatization checks on the form established by the State Committee of the Russian Federation on the Administration of State Property.

5. The Russian Federal Property Fund and the property funds of the republics of the Russian Federation, krais, oblasts, autonomous oblast, autonomous okrugs, and the cities of Moscow and St. Petersburg shall provide for the sale at interregional check auctions of shares turned over to them in joint-stock companies created according to the procedure for transformation of state-owned state enterprises with a balance sheet value of fixed capital as of 1 January 1992 of more than R250 million when information support for their sale was not published as of the time the present Edict takes effect or were published after 10 August 1993 but did not envision conducting an interregional check auction.

6. The State Committee of the Russian Federation on the Administration of State Property shall verify the observance by Russian Federal Property Fund and the property funds of the republics of the Russian Federation, krais, oblasts, autonomous oblast, autonomous okrugs, and the

cities of Moscow and St. Petersburg of the conditions and deadlines for sale of objects of privatization established by plan-schedules for conducting auctions and competitions and privatization plans of enterprises and provide for the transfer of the shares indicated in Point 2 of the present Edict to the corresponding property funds for their sale.

7. In keeping with Edicts of the President of the Russian Federation of 27 September 1993 No. 1465 "On the Functioning of Organs of Executive Power During the Period of Stage-by-Stage Constitutional Reform in the Russian Federation" and 9 October 1991 No. 1617 "On Reform of Representative Organs of Power and Organs of Local Self-Government in the Russian Federation," leaders of organs of executive power of components of the Russian Federation shall:

- not allow the property funds to be deprived of the rights of a legal entity;
- strictly prevent attempts to change jurisdiction of property funds that have been granted the status of offices of the Russian Federal Property Fund.

8. The Russian Federal Property Fund in conjunction with organs of state power of the republics of the Russian Federation, krais, oblasts, autonomous oblast, autonomous okrugs, and the cities of Moscow and St. Petersburg shall consider the question of granting the corresponding property funds the status of local offices of the Russian Federal Property Fund.

9. The Russian Federal Property Fund shall be officially assigned the premises it occupies at the following address: Moscow, Novyy Arbat Street, Building 19.

10. The present Edict shall be presented for the consideration of the Federal Assembly of the Russian Federation.

11. The present Edict shall take effect on the day of its publication.

[Signed] President of the Russian Federation B. Yeltsin  
Moscow, the Kremlin  
17 December 1993  
No. 2173

## Statute on the Russian Federal Property Fund

### 1. General Provisions

1. The Russian Federal Property Fund (hereinafter referred to as the Fund) shall function under the Council of Ministers-Government of the Russian Federation as a specialized financial institution which performs functions envisioned by legislation of the Russian Federation and the present Statute for privatization of federally owned facilities turned over to it according to the established procedure.

2. The Fund shall be a legal entity according to legislation of the Russian Federation and have separate property belonging to it with the rights of an operational administration.

3. The fund shall be answerable to the Council of Ministers-Government of the Russian Federation and the State Committee of the Russian Federation on the Administration of State Property in keeping with their authority.

4. In the republics of the Russian Federation, the krais, oblasts, autonomous oblast, autonomous okrugs, and cities of Moscow and St. Petersburg the Fund shall have the right to create (eliminate) local offices or grant the status of a local office to property funds of the aforementioned national-state, national-territorial, and administrative-territorial formations.

5. Local offices of the Fund shall be directly answerable to the Fund.

The property funds of the republics of the Russian Federation, krais, oblasts, autonomous oblast, autonomous okrugs, and the cities of Moscow and St. Petersburg, acting as local offices of the Fund, shall be answerable to the Fund and be guided by legislation of the Russian Federation and legal acts of organs of state power of the corresponding components of the Federation adopted within the limits of their authority.

The property funds, operating as local offices of the Fund, shall be eliminated only with the consent of the Fund.

6. The Fund shall have a settlement account and other accounts in banking institutions, a seal with a depiction of the State Emblem of the Russian Federation and its own designation.

The Fund shall be located in Moscow.

## II. The Fund's Functions

7. The Fund shall perform the following functions:

- carry out the sale of shared participation (shares, stocks) in the capital of joint-stock companies (partnerships), enterprises, and other federally owned objects turned over to it for these purposes by the State Committee of the Russian Federation on the Administration of State Property or its territorial agencies;
- temporarily (until the time of the sale) take charge of the aforementioned shared participation (shares, stocks) and certificates of ownership of enterprises and other objects of privatization and during this period exercise the authority of the Russian Federation as the owner at general meetings of stockholders (shareholders), and take the risk, in keeping with legislation of the Russian Federation and founding documents of the enterprises, related to its activity within the limits of the share of the authorized capital of the enterprises belonging to the Russian Federation;
- receive and transfer dividends and revenues from privatization of enterprises in keeping with incomes taken into account in the republic budget of the Russian Federation and normatives established by the State Program for Privatization of State and Municipal Enterprises in the Russian Federation (hereinafter referred to as State Privatization Program);
- within the limits of the authority granted to it by the Council of Ministers-Government of the Russian Federation, act as the founder of joint-stock companies (partnerships) and acquire shared participation (shares, stocks) in the capital of joint-stock companies (partnerships) whose development is determined by the tasks of accelerated restructuring of the national economy, protection of the environment, and development of regions,

with the exception of joint-stock companies (partnerships) created according to the procedure for transforming state and municipal enterprises;

—in cases envisioned by privatization plans, exchange shares in joint-stock companies belonging to the Russian Federation submitted as payment for authorized capital of holding companies that are created for shares issued by these companies;

—upon sale of objects of privatization, monitor the granting to workers of privatized enterprises the benefits envisioned by the privatization plans in keeping with existing legislation.

8. The Fund shall not have the right to engage in economic activity with the exception of cases envisioned by legislation.

9. In conducting privatization, the Fund and its local offices in conjunction with the State Committee of the Russian Federation on Antimonopoly Policy and Support of New Economic Structures and its territorial administrations shall contribute to processes of demonopolization of the economy and the creation of a competitive environment. In interaction with the corresponding authorized state organs, the Fund and its local offices shall provide for observance during the process of privatization of principles of economic sovereignty, social stability, and state security of the Russian Federation.

## III. Rights and Responsibilities of the Fund

10. The Fund shall have the right:

- to conduct transactions with objects of privatization envisioned by the corresponding privatization plans approved according to the procedure established by the Law of the Russian Federation "On Privatization of State and Municipal Enterprises in the Russian Federation";
- to exercise on behalf of the Russian Federation in keeping with existing legislation and founding documents of the enterprises the authority of the owner at general meetings of shareholders (stockholders) convened during the period from the time of the transfer to the Fund of the corresponding shared participation (shares, stocks) until the moment of their sale;
- to enlist in its activity for carrying out the tasks set for it officials, specialists, and employees of organs of state power and administration and other state institutions;
- to use for performing its functions representatives and intermediaries who, according to the law, have the right to engage in the corresponding activity, on the basis of agreements concluded with them;
- to act on instructions from the Council of Ministers-Government of the Russian Federation and the State Committee of the Russian Federation on the Administration of State Property as the founder (shareholder) of joint-stock companies created with the participation of the Russian Federation, paying for the acquired shares with funds allotted for this special purpose from the state budget of the Russian Federation, federal non-budget funds, or state property turned over to it for these



purposes by the State Committee of the Russian Federation on the Administration of State Property;

- to enter into contractual relations with individuals and legal entities in order to perform these functions.

11. In keeping with the Law of the Russian Federation "On Privatization of State and Municipal Enterprises in the Russian Federation," of the number of shares of any joint-stock company controlled by the Fund, the right to vote can be enjoyed by no more than 20 percent of the overall number of shares of each company; the remaining shares belonging to the Fund, regardless of their number or nominal status (category assigned to them upon issuance), are preferred. When the aforementioned shares are sold by the Fund they are converted into common shares.

The Fund and its offices do not have the right to intervene in the activity of the enterprises, with the exception of cases envisioned by the founding documents of the enterprise and legislation of the Russian Federation.

12. The authority of the Fund envisioned by Points 10 and 11 of the present Statute with respect to the objects of privatization turned over to it for sale shall take effect from the moment of the transfer to it of the corresponding blocks of shares and certificates of ownership and cease the moment the buyer gains the right to ownership of these objects or upon the expiration of the maximum period of time for the sale of the objects as established by the privatization plan (if they have not been sold during the aforementioned period).

In this case the corresponding certificates of shares and certificates of ownership shall be invalidated without recourse by a decision of the State Committee of the Russian Federation on the Administration of State Property.

13. The Fund shall be obligated to:

- sell the objects of privatization turned over to it in keeping with the established procedure by the deadlines, according to the procedure, and under the conditions established by the State Committee of the Russian Federation on the Administration of State Property, including those determined by privatization plans, plan-schedules for conducting auctions (including specialized check auctions), and competitions;
- receive, cash, and store privatization checks submitted to pay for objects of privatization;
- provide for unimpeded access to participation in auctions and competitions conducted by the Fund and intermediaries and representatives enlisted by it for all potential buyers on the territories determined according to the procedure established by the State Committee of the Russian Federation on the Administration of State Property;
- monitor the observance by buyers of objects of privatization of the conditions of purchase and sale agreements concluded with them and, if necessary, take measures for dissolving them in keeping with the established procedure;
- provide for the transfer to property management committees and also to the corresponding budgets of funds

received from the sale of objects of privatization and also in the form of profit (dividends) from state-owned interests (shares, stocks) by deadlines established by legislation of the Russian Federation for making tax payments;

- observe requirements of legislative acts of the Russian Federation that regulate the privatization process.

14. The Fund shall not have the right to make any changes and (or) additions to the privatization plans approved by the corresponding property administration committees, investment programs, or plan-schedules for conducting auctions (including specialized check auctions) and competitions.

### III. Leadership of the Fund

15. Leadership of the Fund's activity shall be provided by the Fund chairman.

The Fund chairman shall:

- conduct all legal actions on behalf of the Fund without a proxy;
- determine the structure of the Fund, approve the provisions on the structural subdivisions of the Fund;
- determine the amount of authority granted to property funds operating with the status of local offices of the Fund;
- approve the authorized staff roster and estimate of the Fund's expenditures;
- determine the official duties of the deputy chairmen of the Fund;
- appoint and dismiss workers of the Fund (except deputy chairmen) and exercise with respect to them all disciplinary authority envisioned by existing legislation;
- issue orders and instructions that are mandatory for execution by all workers of the Fund and its local offices.

16. The chairman of the Fund shall be appointed to the position and relieved of the position by the Council of Ministers-Government of the Russian Federation at the request of the deputy chairman of the Council of Ministers-Government of the Russian Federation.

Deputy chairmen of the Fund shall be appointed and relieved of their positions by the Council of Ministers-Government of the Russian Federation at the request of the chairman of the Fund.

17. Leaders of local offices of the Fund shall be appointed to and relieved of their positions by the chairman of the Fund.

The rights of a local office of the Fund may be granted to the property fund of a republic of the Russian Federation, kray, oblast, autonomous oblast, autonomous okrug, and the cities of Moscow and St. Petersburg. In these cases the leader of the property fund shall be appointed to the position and relieved of the position by the chairman of the Fund with the consent of the head of the corresponding organ of executive power.

18. Under the chairman of the Fund, a board of the Fund with advisory functions shall be formed and consist of

deputy chairmen (by position) and board members. The membership of the board shall be approved by the deputy chairman of the Council of Ministers-Government of the Russian Federation and the chairman of the State Committee of the Russian Federation on the Administration of State Property.

19. The chairman of the Fund, his deputies, and leaders of local offices of the Fund may not belong to organs of executive power, hold positions in economic and commercial organs (except in cases when they are acting on behalf of the state in keeping with the rights and authority of the Fund and their official duties), engage in entrepreneurial activity, or be members of central organs of political parties or other public organizations and associations.

The aforementioned officials and their close relatives shall not have the right directly or through others to acquire enterprises or securities sold by the Fund or its representatives. This restriction shall be in effect throughout the entire period of employment of these officials and for three years after they have vacated their positions.

20. The chairman and leaders of local offices of the Fund shall bear personal responsibility for the performance of the Fund's duties as established by legislation of the Russian Federation and the present Statute.

21. Each year the Fund shall submit to the Council of Ministers-Government of the Russian Federation and the Federal Assembly a report on the Fund's activity during the past period and the balance sheet of the Fund's incomes and expenditures over the past year. Monthly reports on the sale of objects of privatization (including on the fulfillment of established plan-schedules for conducting auctions and competitions) shall be submitted by the Fund to the State Committee of the Russian Federation on the Administration of State Property.

#### IV. Financing the Fund

22. Sources of the Fund's financing shall be:

- monetary funds received by the Fund from the sale of objects of privatization;
- funds from the republic budget of the Russian Federation;
- revenues from the placement in deposit accounts of funds received by the Fund from the sale of objects of privatization;
- revenues from activity indicated in Point 8 of the present Statute.

Accounting shall be done separately for these sources.

23. Funds received by the Fund from the sale of state-owned facilities shall be subject to distribution in keeping with the normatives established by the State Privatization Program.

24. Revenues from shared participation (shares, stocks) in enterprises and securities temporarily controlled by the Fund shall be added to the revenue of the republic budget of the Russian Federation.

25. Funds from the republic budget of the Russian Federation turned over to the Fund for a special purpose shall be used according to it.

26. All funds from privatization received by the Fund shall be exempt from taxation. Taxes shall not be imposed on the property of the Fund or the work performed with funds received by the Fund from privatization.

Funds received by the Fund from activity indicated in Point 8 of the present Statute shall be subject to taxation under general conditions.

## POLITICAL AFFAIRS

**Independent Unions Support Lanovyy**944K0503A Kiev NEZAVISIMOST in Russian  
22 Dec 93 p 1

[Article by NEZAVISIMOST columnist Yanina Sokolovskaya: "We Are Reaching Our Boiling Point—Ukraine May Be Overwhelmed 18 January by an Unprecedented Strike"]

[Text] In a single instant, miners, dock workers, railroad workers, machinists, textile workers, air traffic controllers, and airline pilots flying foreign and domestic routes will cease work, city transportation will come to a halt... This is the decision made in a session of the executive committee of the association Free Trade Unions of Ukraine. The main demand of the All-Ukraine strike is the resignation of the Cabinet of Ministers and formation of a new government headed by Volodymyr Lanovyy, who is supposed to obtain all possible authority over the period prior to the elections and set about the conduct of economic reform. Resignation of the president is not yet a demand—in the opinion of the trade unions, "his task is not to interfere."

Until such time as these demands are met, Ukraine will constitute an appendage and will remain not only without coal, but without means of transportation and communications with the outside world as well. The scope of losses from such a strike of indefinite duration would be difficult to predict.

But we know for certain that the epicenter of the impending events will not be Donbass, but rather Kiev, where several large-scale enterprises will be the first to go on strike. Others will immediately follow—in all regions. In the opinion of Free Trade Unions, the "higher authorities" will better feel the impact of a strike begun in the capital than ordinary miners.

Lenin Forge and other industrial "monsters" in the capital have already repeatedly declared their desire to take part.

"Ukraine is reaching its boiling point"—noted Aleksandr Mril, leader of the Independent Trade Union of Miners. "Just one more small upheaval and the country will not survive to election time. If the trade unions do not today mount a strike, extremist forces will take advantage of the disarray of the masses—a situation fraught with the prospect of civil war."

But right now, independent trade union forces are looking at a specific common enemy: "the existing authority, under which people cannot live normally."

Meanwhile, even the obsolete Cabinet of Ministers has been granted a stay of execution of the trade union sentence and been given the opportunity to remain in their long-occupied seats, if they bring salaries into conformance with price increases in the course of a month and introduce a mechanism of anticipatory compensation. This is mentioned in the decree of the executive committee of Free Trade Unions which was distributed to the Supreme Council, the Cabinet of Ministers, and the president.

However, the workers do not believe that that which has remained undone over two years can be realized over the course of one month. Therefore, they are using the time

remaining prior to 18 January to coordinate strike activities. Talks have been held with Volodymyr Lanovyy as well, whose candidacy for the position of prime minister elicits no objection from the population majority, it has become clear, or from most parties and movements, which have long discussed the need for professional economic leadership of the country. As the current leader of the Center for Market Reforms stated, he "will agree to accept the responsibility entrusted, taking into account the adversity of the economic situation in the country," and will take the first steps on a state level towards extricating the country out of crisis and stabilizing the socioeconomic situation.

In the opinion of the trade unions, this will prevent a "witch hunt" from taking place in Ukraine and will give the country a period of respite and the opportunity to survive until the elections. But here we recall information not as yet refuted by anyone: In the event of social conflicts in Ukraine, a state of emergency will be introduced and the elections will be postponed; a ban will be placed on political parties and movements, and other measures of a military nature will be enacted. A Ukraine-wide strike of indefinite duration more than constitutes suitable cause for a "state of emergency."

"Social conflicts in January-February may be used by the 'higher authorities' as a pretext for introducing an illegitimate regime and government and prolonging the authority of the president. This will lead the country into a final impasse," V. Lanovyy believes. "The impending crisis has to yield positive results, for example—a revision of economic policy and the reactionary law on elections."

But then, in the opinion of trade union leaders, the "higher authorities" will be able only to proclaim a state of emergency—they will not have the power to implement it. And if this does take place, people will just become further convinced of the lengths to which their present leaders will go. And in that case, the year 1994 in our country will be covered with the banner of strike.

**Pavlychko on Russian Relations, Elections**944K0520A Kiev GOLOS UKRAINY in Russian  
28 Dec 93 p 5

[Interview with Dmytro Pavlychko, chairman of the commission of the Ukrainian parliament for foreign affairs, by Taras Petriv, GOLOS UKRAINY correspondent; place and date not given: "Dmytro Pavlychko: 'No One Should Dictate His Own Will'"]

[Text] Two years have already passed since the residents of Ukraine declared for independence on a wave of renewal and national enthusiasm. It is well known that any transformations do not come easily. But it is even more difficult given the significant influence of subjective factors. And it is a pity if the paths of social changes are not chosen entirely correctly and the existing opportunities are used irrationally. However, even in the most difficult times, it is not necessary to lose faith and reference points—so thinks Dmytro Pavlychko, the chairman of the commission of the Ukrainian parliament for foreign affairs, with whom our correspondent met—but it is necessary to search for mechanisms of resolution for both foreign and domestic problems.



[Petriv] Dmitriy Vasilyevich, first of all, let us dwell on the relations of Ukraine and Russia—after all, clouds have gathered over them in the course of recent years, and they have not yet dispersed. Every time the leaders and the ministers of foreign affairs of the two states meet, it seems that finally common sense will prevail, and that a compromise will be found. But everything remains as it was: Russia "presses," and Ukraine distrusts its northern ambitious neighbor more and more....

[Pavlychko] At one moment these clouds get thicker and at another they scatter. But it is a pity: They are not disappearing, and we should not expect that there will be a sunny day soon. However, I believe: Everything is in motion; therefore, normal relations will be established between Ukraine and Russia. For example, the Odessa negotiations of A. Zlenko and A. Kozyrev were very positive. At this consultative meeting, the parties explained that about which they are guessing, but which they are not formulating clearly. The Russian side, for example, was always emphasizing: The Black Sea Fleet is an integral structure. But today, as it turned out, it can perceive the idea of a divisible fleet, and that it is necessary just to find the mechanism for this division. And this is understandable, for all previous agreements, as in part the last one, the Massandra agreement, are unacceptable to both countries. Although the Russian leadership is further insisting that it is necessary to rely precisely on it. But when it comes to the fact that Russia would have to pay more than \$15 billion for half the Black Sea Fleet, the Russian representatives throw up their hands. It is necessary to note that misunderstandings keep coming up relative to the nuclear legacy as well. Russia does not in any way want to recognize Ukraine as the owner of nuclear weapons.

[Petriv] After the ratification of the START-I treaty, Moscow accused our state of violating agreements. Russian diplomats headed a campaign of bringing pressure on Ukraine. A. Zlenko, the head of the Ukrainian foreign policy department, was also compelled even to declare that there is not a particle of truth in Russia's accusations....

[Pavlychko] Ukraine has already given up tactical nuclear weapons and did not receive any kind of compensation for them. Therefore, we cannot once again agree to the same thing. We also think that now the nuclear weapons deployed on our territory play a definite deterrent role. And therefore, we insist that joining the Treaty on Non-proliferation of Nuclear Weapons be carried over into the future. And, at the same time, we are going toward a nuclear-free status. But this road can be determined only by us, and no one should dictate his own will to us. We should transform the nuclear weapons on our territory into political guarantees of independence. For as a people and as a nation, we are under a threat.

[Petriv] Could not the quick signing of an interstate treaty at least somehow stabilize Ukrainian-Russian relations?

[Pavlychko] Such a document is already half prepared. Work is continuing on points that deal with border questions. In our view, the existing borders between Ukraine and Russia should be guaranteed with this treaty. And it is again strange: The Russian side is trying to get by in this case with some general phrases, but we are proposing the

exact wording that was recorded in the Ukrainian-Russian treaty of 1990. Unfortunately, this also indicates that the Russian side intends in the future to return to the territorial issue.

[Petriv] The question arises: Why does Ukraine not come out more actively for military cooperation with Western countries, and first of all with its neighbors—Poland, Hungary, Slovakia, and the Czech Republic?

[Pavlychko] Russia is trying in every possible way to restore the empire: At one time by means of the CIS structure, and at another, by means of an economic union. In my opinion, I think that it is necessary at any price to develop the closest ties with our close neighbors. If we will be able to arrange political, cultural, and economic contacts with them, then this will gradually free us from an excessive Eastern orientation. After all, the newest technologies and social democracy can come to us from Europe.

However, our strategic path, after uniting with our Western neighbors, is not to create an anti-Russian alliance, but, on the contrary, to establish good relations with Western Europe in the Russian Eurasian space through a Black Sea-Baltic system. Through a unique Europeanization of Ukraine, Russia would be closer to Europe. Let us recall history. Europe and Russia have always adjoined on Ukrainian land, and here European civilization was victorious at one time and Russo-Mongolian at another time. And, therefore, it is necessary that these two planes not destroy each other, but harmonize.

We must compel the silence of the Moscow imperialists. And it is necessary to do this not only with the help of a compromising policy, but also through a firm will. Therefore, it is necessary to emphasize: If Russia is democratic, Europe will be calm, and if it strives to dominate, this will serve as a reason for fear among the new independent states and a pull toward NATO.

[Petriv] Dmitriy Vasilyevich, the election campaign for seats in the new parliament is now proceeding at full speed. Is this not the reason why the work of your commission has abated?

[Pavlychko] Actually, we are not working as intensively as formerly. It must be said that over these years the activity of the commission has been quite intense. Although its staff is rather polarized, and it is very difficult to work. It frequently could not reach an agreement. At the same time, in critical moments, such as, for example, a decision of the Russian parliament regarding Sevastopol, it was able to come together. And therefore, I want to note that the commission did a lot in its field.

[Petriv] In your opinion, what will the new Supreme Council of Ukraine be like?

[Pavlychko] The first trouble with the old parliament is that it was not structured. And now the parties have still not grown numerically. The fact that the Supreme Council did not go for a mixed system, but voted for a majority system, reflects the position of the parliamentary majority and, in particular, of those who want to speak in their own name, for they are brilliant individualities. In their opinion, people will vote for them. Therefore, I fear most of all that we will once again represent ourselves in the new

parliament, when every deputy will represent only his personal program, and not a specific political force. Then we will again pull each other by the forelock ad infinitum, instead of parliamentary groups gathering and deciding what should be done.

[Petriv] In this case, neither the president nor the chairman of the Supreme Council insisted on a mixed electoral system....

[Pavlychko] Leonid Kravchuk and Ivan Plyushch, as well as the representatives of the president in the localities, remain indifferent to political parties. But our leaders do not want to think of themselves within the framework of any kind of party. We say that now there is a so-called party of power. Then let these people gather and say that we are organizing into some kind of structure, and there is no clarity, but there is vacillation. Ukraine is going into the elections when the voters are in absolute perplexity. However, despite all of this, I believe that the next Supreme Council will be better.

[Petriv] Will the democratic forces, given the disunity of ideas and leaders, unite in one centrist-reformation bloc that would not let either the extreme left wing or the extreme right wing win a majority in parliament?

[Pavlychko] I think that if we do not go into the elections as a united democratic bloc, then we will lose. And it is important not only for the parties to unite, but also for individuals. Going into the elections, we understand that it is necessary for the democrats to establish some kind of coordination council so that we would not fight each other, because, for example, the situation will be entirely different in Western Ukraine than in the East. Is a variant possible where democratic forces will come out in the elections as a unified political force, and afterwards structure themselves in parliament? It is better if we unite in a single political party. And it is necessary to conduct a congress even before the elections. Then we would easily be able to win seats in parliament and be victorious in it.

[Petriv] Dmitriy Vasilyevich, have you already decided to put forward your candidacy for the new parliament? Since it is rumored that allegedly you will head the Ukrainian diplomatic mission to one of the countries of the West....

[Pavlychko] I will not go as ambassador to any country. For I would not feel very good. The people are in trouble, and if I agreed to a position that, possibly, I have even earned, then I would look like a deserter. Therefore, I decided to go into the parliament.

[Petriv] Are you prepared to put forward your candidacy for the post of president of Ukraine in June 1994, if the elections are held?

[Pavlychko] It is necessary to consider the situation realistically. I am convinced that the leader of the state must not yet be very old, he must possess economic knowledge, and he must have a number of good qualities. I am already 63; therefore, I am convinced it is too late to talk about this. I think that the elections will be held. Because Leonid Makarovych, probably, will not do what was done by the Russian leader who at first announced the elections, but afterwards went back on his word.

### Socialists Adopt Election Platform

944K0504A Kiev PRAVDA UKRAINY in Russian  
21 Dec 93 p 1

[Article by Vadim Fomenko: "Left-Right Went the Debates"]

[Text] And not at just one, furthermore, but simultaneously at several congresses, which were held in Kiev last Saturday and Sunday. And all parties, from the Greens through the Reds, discussed not what the year had been like but plans for the future and set their sights on the elections.

All their platforms cannot be described (except for a separate fee, perhaps). But we do not have the right to pass over the forum of the Socialist Party. For if a week ago we presented an account of the Fifth Rukh Congress, God himself has ordained for balance a description of the Third Socialist Party of Ukraine Congress. I was at all its previous congresses and have the chance to make comparisons. Whereas previously they passed off imperceptibly somehow, semi-clandestinely almost, now.... Diplomats' Volvos at the main entrance, almost a hundred journalists from many countries of the world, numerous guests, greetings in various languages. To save time not all of them were read out but A. Moroz, chairman of the Socialist Party, acquainted the delegates with one of them as he opened the congress. This was a message of congratulations from G. Zyuganov—leader of Russia's communists....

The delegates heard two reports: one, very brief, on the organizing and political work in the year since the last congress, and the second—lengthy, discursive—on the platform of the Socialist Party at the future elections. It was discussed tumultuously, but without an overstepping of the mark, and the majority of observations was to the point and opportune, as they say. It was clear from the tone of the speeches that the times when a presidential candidate laid his hands on supreme power with the aid of five "D's" are gone. There is no getting by merely with letters today, and for this reason the election platforms (with the Rukh people also, incidentally) vie in terms of length with the platforms of the suburban-line commuter trains almost.

The election program of the Socialist Party of Ukraine is fully accommodated in its title: "Toward Socialism—Via the Power of the People, Prosperity, and Security." It emphasizes that the main, urgent method of averting economic catastrophe and starvation is control, accounting and regulation on the part of the state and the working people of the development of production and the distribution of food and the preservation of the plant outfits. Liberal, national-democratic, and pro-bourgeois parties advocating liberalization and privatization are up in arms against this. The socialists are opposed to the plunder of the working people beneath verbiage about a socially oriented economy.

"The moment of truth is at hand. We are beginning each individually and all together to recover our sight, recognizing how much in our life has been lost and what a difficult future awaits us and our children, our Ukraine." the appeal to the people of Ukraine adopted at the congress

says. Its participants emphasized once again that, as distinct from other parties, the socialists are not aiming at their party's unfailing assumption of office. They will support at the elections any honest competent candidate, a nonparty candidate included, who agrees with them on what is most important: the basis of the good fortune of each individual may only be conscientious and productive labor. There must be neither master nor serf in Ukraine.

In conversation with journalists A. Moroz, who was unanimously reelected leader of the Socialist Party of Ukraine, said that, in his opinion, the forces of the left would obtain more than half the vote at the elections. About 20 percent will vote for the Socialist Party, he believes.

The special issue of TOVARISHCH put out for the congress also published the platform of the Communist Party of Ukraine. It is entitled "For Social Justice and the Salvation of Spirituality, for the True Power of the People and a Life Worthy of Man." The Central Electoral Commission the same day registered to participate in the elections as entry No. 1 the Ukrainian Republican Party, as No. 2, the Communist Party of Ukraine.

### Lessons of Russian Elections Pondered

944K0521A Kiev GOLOS UKRAINY in Russian  
24 Dec 93 p 7

[Article by Vladimir Skachko, observer: "A Lesson of Post-All-Union Significance. They Called Out in Russia, They Responded Everywhere, in Ukraine Too. For the Elections Are Close at Hand"]

[Text] Kiev-Moscow-Kiev—With assistance from the "East-East" program and the international Restoration fund, I was in Moscow on 12 December and the night before, and I can attest to the fact that if fascism or revisionism came to power there, it was surprisingly quietly. Or, as the observant poet would say, to the sound of snow falling on Moscow streets, transforming certain of them, uncleaned probably since the beginning of perestroika, into an impassable muddy quagmire. It is as though the white snow covered up the surface with a calming shroud, but the next minute everything clumsy and uncouth, nasty and disfigured, could be seen clearly through it. Just as the real free elections showed how much darkness there is in the souls of Russians and in the attitudes of decent citizens and what they can say when there is nobody standing behind them, watching them....

The night before the "great day," only the Russian anarchists gathered, following tradition, in front of the monument to Pushkin; they rallied, and they handed out to passersby appeals that clearly "cast down" a plague on all Russian political houses: "The December elections will do nothing for us; they will merely legalize the dictatorship of the apparatchiks and the new rich speculators. But today's 'communist,' nationalist, and 'democratic' opposition is no better. The struggle among the politicians is not for freedom and democracy, but for power, for the right to grab more, to decide which of them will plunder and steal....but if everyone has already understood that no elections or referendums will change anything—do not go to the elections, do not vote—resist!... The parties are fighting to control the people; we are for having the people control themselves!"

*But the Russians did go to the polls, the elections did take place, and their results, in my opinion, are of significance for all former Union republics where elections are still to be held and particularly, of course, for Ukraine.*

### First Lesson: Zhirinovskiy Did Not Win—the Democrats Lost

Even Leon Trotsky called Hitler's Fascist Party a "party of counterrevolutionary despair," because the brownshirts came to power using populist slogans as, incidentally, the Bolsheviks also once did, playing on the atmosphere of government instability and attitudes of no confidence either in the present or in the future on the part of the majority of simple citizens. Vladimir Volfovich's political formula was also simple: If you want power, press on the sore spots, on the "pet corns" of the Russians, who are suffering from nervous exhaustion, promise them a "great Russia" and expose their "traitors" and enemies. And it is desirable to do this frequently, persistently, and simply enough for a moron to understand.

Zhirinovskiy did this. And today it is not so important that even before the session of the State Duma he abandoned the majority of his propositions. The magic of simple-calming, optimistic-encouraging words had done its work.

I was told about the following episode at an election precinct. One young person was asking another: "Who did you vote for?" "For Zhirinovskiy," was the answer. "What do you mean?!"—the first one was surprised, making a gesture as though the other were crazy. "And why not, look at what this will do to the country," the second one defended his position. And this is instructive: Zhirinovskiy was operating in a strange mixture of hope and hopelessness, belief in the possibility of change and disbelief in the idea that any of the current leaders would do anything real.

And the Russian democrats? They, unfortunately, as we know, were unable to join together. Possibly in fact they, as Gaydar said, are capable of doing this only two hours before the shooting starts, but this is the most important lesson for Ukrainian reformers: They need unity.

I returned to Kiev with a Ukrainian businessman who has an office and a firm in Berlin, works through Moscow, and expects Kiev to provide stability and certainty. He explained the Russian situation to me in his own way: "If you need a razor to shave, you go to the store. And if you see many good razors there but they are all of the same kind, differing only in appearance, you might not choose any of them but buy one somewhere where the selection is simple but there is only one choice." Thus the esteemed democrat reformers "a la Ukraine" as we already know today are offering us a diversity of political views with various nuances. The main mistake of the Russian democrats was in tactics: Along with their personal ambitions, they were counting on the idea that by separating they could offer the voters various versions of the democratic option (thus, if Gaydar does not suit you—vote for Shakhrai or Yavlinskiy), but the voters demanded clarity. The democrats of Russia did not take into account the low level of political sophistication of the electorate.

And there is one more thing which, in my view, requires no commentary. Even on the day before the elections, the executive committee of Russia's Choice wrote: "It is



already possible to sum up certain results of the brief but noisy campaign (election—V.S.). It is obvious to everyone that it took place according to the pattern of '12 against one.' One was the Russia's Choice bloc and 12—the other participants in the political race. ....The methods of the battle between the 'people's defenders' and the 'strict reformers' was the same as before: accusations bursting from the television screens but not confirmed by anything, insidious hints anonymously released to the mass media, appeals to the very worst instincts." And so, esteemed participants in the Ukrainian race, if you really believe that Ukraine needs reforms, agree on which specific ones and allow as little ambition and underhandedness as possible and encourage as much analysis and tolerance as possible.

### The Second Lesson: Reforms Are Needed in Any Case

The strangest phenomenon in Ukraine after the elections in Russia might be the appearance of attitudes indicating something like this: You see where the Russian reforms led—first of all, the people were impoverished and then, against this background, the fascists came to power. Of course, such assertions make a certain amount of sense. But on the other hand: Have the people in Ukraine been any less impoverished? Probably much more so; our standard of living is considerably lower than the Russians'. And herein lies the basic and principal distinction between the Russian and Ukrainian situations. "Gaydareconomics," which is based on "shock therapy," actually did lower the standard of living of the people, but it launched the reforms and so it gave them a light at the end of the tunnel, namely—hope of improvement.

But in Ukraine the standard of living has declined without any reforms. The external appearance of reforms has frequently even discredited the very idea of reforms when they are discussed, and property is being quietly stolen under a barrage of verbiage. But this kind of "reform Ukrainian-style" should in no way deter the future political elite from reforms. The only thing that can really be learned from the Russian experience, in my opinion, is this formula: as little shock as possible and as much therapy as possible. If, of course, this is possible under our present conditions. And our voters too must make a certain choice and not make a mistake. For we too could have our own Zhirinovskiy. But he would capitalize not on the idea of a "great Ukraine" but on the need to impose order with a strong hand. Both orthodox and turncoat communist-socialists of Ukraine fit this role better than others.

### The Third Lesson: If You Help the Democrat, You Will Have To Deal With His Opposite

In Ukraine people have been saying frequently that it is necessary to join forces with real Russian democrats because, they say, herein lies the guarantee of our independence. And even based on Vinnichenko's definition of the Russian democrat, which ends where Ukrainian independence begins, this assertion has been true. It seems to me that perhaps we should have been more oriented toward Russian pragmatists, but we had to find political partners among those who, because of various convictions, have recognized Ukraine's uniqueness to one degree or another. And this had to be done persistently and concretely. Then

we would not have had today's deficit of the Ukrainian-Russian trade balance, which is not in favor of Ukraine, such an immense amount of indebtedness, and such a lack of regulation of the mechanism for mutual settlements. But, as our president says, we have what we have.

But joint actions among democrats will become considerably more crucial after these elections. Because the Russian Government will inevitably have to take into account the attitudes of the political forces represented in the State Duma of Russia. And we know what Zhirinovskiy, Zyuganov, et al think about Ukraine, so economic and political pressure on Ukraine will increase. Therefore, official Kiev must prepare for this even today and in some way or another be concerned about how we will pay for Russian energy sources in January. I personally would be in favor of reforms, freedom of the producer, free exports, which would provide the necessary freely convertible currency, concrete negotiations with Russia, and a business alliance with its healthy political forces. But I am a journalist, and our leadership, perhaps, has learned different lessons....

## ECONOMIC AFFAIRS

### Fokin Discusses Fund for Humanitarian, Economic Ties With Russian Federation

944K0510A Kiev PRAVDA UKRAINY in Russian  
21 Dec 93 pp 1-2

[Interview with Vitold Pavlovych Fokin, president of the Ukrainian International Fund of Humanitarian and Economic Relations With the Russian Federation, by Lyudmila Menzhulina; place and date not given; names as transliterated: "Vitold Fokin: 'It Is Useless To Try To Pull the Scanty Blanket of Social Protection Over Everyone. There Is Only One Way Not To Freeze—Get Moving'"]

[Text] The announcement concerning the establishment in Ukraine of the International Fund of Humanitarian and Economic Relations With the Russian Federation has already made the rounds of practically all radio, television, and newspaper editorial offices. The restraint of the commentaries on the fact was absolutely amazingly offset by the tone of voice of the announcers, or by the style of exposition of the journalists. So one heard or read a suppressed: "Well, at last!"

It goes without saying that, although the unnatural confrontation of our countries and peoples is brief in an historical space of time, it has frayed nerves, and it has very strongly dampened spirits.

Now people are continually calling up and are asking with what and how they can assist the development of the new fund, and they are placing great hopes on it.

But, apparently, not only hopes. Some are also tormented by doubts. Has not its ex-prime minister conceived of returning Ukraine to the old times? Vitold Pavlovich himself explained during the meeting how during the presentation of the fund he had received a note (the only one of its kind) whose author—a people's deputy—was amazed by everything: From the number of stars in the emblem to the title. He was almost ready to accuse the founders of the new formation of espionage in favor of Russia, and he did not at all share the happiness of those in attendance.

In general, our extensive conversation today with the ideological inspirer, creator, and president of the fund, Vitold Pavlovich Fokin, was prompted both by good wishes and harsh necessity. We will also construct it in the same key, alternating the free and easy interview "with a line of protocol," that is to say, a document that is a report on the triumph of the presentation.

But, then, whatever one sees in this—nostalgia or very sound and timely thoughts—let it be a matter that is left to the readers. Thus....

#### **"Has Life Really Improved Because We Destroyed the Bastille?"**

[Menzhulina] Vitold Pavlovich, first of all, accept the sincerest greetings that arrive at the editorial office for you as the head of the fund, and wishes for its prosperity. Now allow me to ask, with what kind of wonderful forces were you able in such a short period of time (on 16 November, we reported on the constituent meeting, and already the registration and presentation have taken place) to start such a grandiose undertaking—the International Fund for Humanitarian and Economic Relations With the Russian Federation?

[Fokin] You know, it would be biased to say that this idea arose just now and was instantly implemented. The story here is not simple, like everything else that has occurred here in recent times.

When the first government of an independent Ukraine was replaced, the relations between the structures of the executive authority of Ukraine and Russia were noticeably "strained." I do not want to blame anyone personally, but statements of gentlemen—who got into key positions in the Cabinet of Ministers on the "general list"—began to be leaked more and more frequently to the press. I do not think that this was being done, as they say, out of stupidity. They were guided more frequently by a desire to do what was in vogue and to curry favor with influential politicians, who by virtue of clear reasons were unable to comprehend the complicated interweaving of the mutual production ties that had developed over dozens of years between the subjects of Ukraine and Russia.

Some of the mass media organs of both countries also prospered in this unseemly matter.

And then at that time, the end of last year, the thought occurred: Voluntary self-isolation and the policy of autonomization of production do not respond to the national interests of the state. You must not, as Englishmen say, throw stones at your neighbor if you yourself live in a glass house. By curtailing the export of products to Russia and violating an already strained payments balance with that country, it is impossible to count on the stable delivery to Ukraine of oil, gas, lumber materials, and other products. Such actions make an energy crisis inevitable. Cooperative ties must not be disrupted—this will lead only to a complete shutdown of enterprises. Is it really possible not to take a real fact into consideration: Only 20 percent of the total number of industrial enterprises of Ukraine have a closed production cycle?

And further. The entire world is fighting for sales markets. But we pass off as a great achievement the reduction of exports to Russia of such types of products that are

traditional for Russia as, for example, sugar. The world market is oversaturated with favorite commodities, and Russia, having overcome some bewilderment, has renewed contracts and begun to receive sugar from other importers. What did Ukraine win from this? Discussions about the fact that Russia allegedly switched to mutual settlements at world prices in a unilateral procedure also seem to be idle talk. It is enough to look over the protocols of the summit meeting in Dagomys to become convinced of the opposite.

In short, it became clear as early as in December of last year that without close cooperation with enterprises and organizations of Russia, and without an honest and businesslike partnership on a principally new and mutually beneficial basis, the newly constituted government (like, moreover, any other) will not be able to lead the state out of the crisis.

#### **From V. Fokin's Report at the Presentation of the Fund**

To our great regret, the political and economic differences between Ukraine and Russia are becoming more noticeable of late. The states are literally drifting in opposite directions. This is equally unsafe for the people of both countries and is equally negatively perceived by the people. Therefore, it is necessary to adopt the most decisive measures so that what is still a small crack does not become an abyss.

That which we have today—cooled-down blast furnaces, idle rolling mills, stalled motor vehicles, curtailed television programs—all of this will also turn into a misfortune for Russian enterprises as well.

I believe in the courage and selflessness of our people, and in their ability to overcome difficulties and to defend their statehood. But is it moral to rely only on the infinite patience of the people? Let us recall history.

"You have achieved what you wanted," the Parisians told the leaders of the great French Revolution, "but what did we get out of it? Has life really gotten better because we destroyed the Bastille?"

Substitute the word "Commonwealth" for the word "Bastille," and this question will sound quite pressing. However, it is not a question of reviving old ties, and it is not about resurrecting the former state structures and the "fraternal embrace" imposed from above. It is impossible to restore them. It is necessary to establish principally new relations whose basis will be economic expediency, mutual gains, reciprocal trust, and an honest partnership.

Not one government is capable of achieving this without public support. The unity and goodwill of the entire society is necessary for this.

#### **There Are Questions....**

[Menzhulina] A great number of all kinds of treaties and agreements were adopted during the period of the creation of the CIS. What was the problem, and why did they not work for unity and mutually advantageous contacts?

[Fokin] Initially, the treaty on cooperation of the independent states provided for the creation of a kind of coordination center, with its quarters in the capital of Belarus—Minsk. After a certain time, this was rejected for well-known reasons. Therefore, the state agreements and

treaties that were being concluded on a bilateral and multilateral basis lost even a minimum capability of functioning, inasmuch as there was a lack not only of a mechanism of responsibility, but even control over its fulfillment. In addition, Russia, while conducting a policy of rapid destatization and privatization, more than two years ago abandoned the practice of the state order, thereby losing (in contrast to Ukraine) the right to conclude a treaty concerning mutual deliveries, inasmuch as it stopped being the de facto owner of produced products. In general, this also led to this kind of conclusion: Cooperation between two states, basically, should move to the plane of business partnership of enterprises and organizations.

This is what was done in practice. After the elimination of the central planning and distribution organs, economic life continued only where production ties between enterprises were preserved.

By creating the fund, its founders were not thinking of replacing the government, and especially of operating counter to its decisions. Our task is to assume functions that are not peculiar to the state under the new economic conditions. First and foremost, to assist the producer irrespective of the form of ownership. Retaining for itself the right of legislative initiative, we will submit appropriate drafts to the government for examination.

#### From the Report at the Presentation

It is becoming more and more difficult to link up our production, financial, and state interests. We are already at different levels. Russia, in spite of serious political and social shocks, has moved much farther along the path of reform.

A majority of the large enterprises have been converted to joint-stock companies. Practically the entire population has been involved in this. The securities market is working energetically, and this is one of the most important indices of the market economy. The actual convertibility of the ruble is stimulating small and average business.

Important changes are occurring in the psychology of the people. Russia's public is already thinking in new categories. Therefore, it is becoming more and more difficult for a director, for example, of a Ukrainian state plant to conduct negotiations with his own Russian partner—the head of a joint-stock company.

But it is necessary and possible to overcome difficulties. Labor collectives of former subcontractors remain, and directors are left who know their colleagues from what now already are neighboring countries, and they maintain friendly relations with them. They have all felt the effects of the artificially violated cooperation on their own problems.

That is why the idea of the creation of a nongovernmental organization that would speak in support of the intensification, coordination, and development of Ukrainian-Russian relations immediately found an enormous number of supporters.

Organizing business relations and close partnership with the Russian Federation in the most diverse spheres of human endeavor is an objectively recognized necessity.

#### "Every Fruit Should Ripen"

[Menzhulina] Did you not have problems with registering the fund? I wonder what response the idea on its creation had "at the top?"

[Fokin] From time to time, I did not want to disclose my intention. I was not confident that I would be supported if I came out in March or April. At that time, everyone was going around with raised spirits and satisfied that they had got through the winter and finished the sowing. They could have said: Why do we need this fund, which directs its own activity at the creation of production and economic relations with Russia, when we also were not born yesterday?

Now, this will not be said. And not only because a real threat hangs over millions of socially unprotected citizens of Ukraine.

I hope that there will be no starvation. The state does have grain. But it is impossible to live day by day. It is necessary to think about the coming year, about work under winter conditions, and to organize a normal, decent life. Under these conditions, I think, with the help of the fund, it will be possible to arrive at a resolution of many problems.

When I acquainted the president with my desire, I immediately met with his approval, and I felt support. Leonid Makarovich read the first variant of the charter and appended his resolution: The matter is very interesting, worth doing, and it is necessary to implement it as rapidly as possible. Specialists of the Ministry of Justice and Minister V.V. Onopenko himself gave us good support. Despite substantial remarks, corrections, and additions, there was no barrier against registration. The constituent assembly was conducted just as quickly and effectively.

[Menzhulina] Vitold Pavlovich, could you outline the circle of friends of the fund from the Ukrainian and Russian sides?

[Fokin] Clearly, the leaders of the most competent and largest organizations and enterprises had the final say. I am extremely grateful to Boris Yevgenyevich Paton, Larisa Ivanovna Khorolets....

We were supported by the metallurgists and machine builders and, moreover, by the workers and leadership of such flagships of industry as Yuzhmash, the Malyshev Plant, Luganskteplovoy, the Dnepropetrovsk electric locomotive building plant, the NPO [scientific production association] imeni Korolev, the Kiev radio plant, and many others.

All at once, a circle of like-thinkers took shape: Gennadiy Petrovich Levchenko, Vladimir Ilich Kassov, Yuriy Sergeyevich Alekseyev, Bogdan Nikolayevich Lishchin, Dmitriy Gavrilovich Topchiy.... Well, I cannot name all of them.

The founders of the fund from Russia were: The Russian Lumber Producers Corporation, the Izhevsk joint-stock company Bummash and the joint-stock company Investles, the Krasnoyarsk machine building plant, the Kotlass pulp and paper combine, and others.

#### "If There Is Grain, There Will Be Singing"

[Menzhulina] Vitold Pavlovich, the founding documents assign first place to humanitarian relations, but life's



realities are such that the economy, nevertheless, comes first. Does this mean that economic relations will have priority?

[Fokin] There is a saying among the people: If there is grain, there will be singing. Of course, a nation cannot exist without spirituality and culture. But the economy really comes first, because society, as long as it exists, is compelled to consume. But this also means, to produce. As soon as this chain is broken, catastrophe is inevitable.

[Menzhulina] If you were the head of government today and someone established such a fund, how would you perceive this?

[Fokin] But of course, I would support such an idea and would bring the initiators closer, and I would grant them broad powers. I also expect the same attitude from the present government. I am glad that the Cabinet of Ministers has already demonstrated its goodwill, at least by the fact that it was almost fully represented at the presentation.

But we are only at the start of a long path. There is a sea of difficulties.

For the time being, we have no material base, we have no place to quarter ourselves, and we have not established a charter fund. But, as the saying goes, there is a time for everything. It is important now to understand and to adopt objectively: The fund is created, it exists, and it has begun to work.

#### From the Report at the Presentation

One of the reasons for the critical condition of many enterprises and organizations is the artificially created barriers for ways to process payment documents. One of our tasks is to be a reliable helper of the commodity producers in the resolution of this problem. I think that we are capable of removing this tension, at least partially, from the members of the fund.

For this purpose, a specially designated bank credit system will be established jointly with Russian partners.

The fund intends to offer material and methodical assistance to state organizations and representatives of the private sector of the economy engaged in the creation of new capacities and increasing the existing capacities of functioning industries that produce industrial and household and cultural commodities.

We will conduct a purposeful search for partners for the development of projects of destatization, privatization, and conversion to joint-stock companies. Appropriate proposals will be submitted to government structures. The fund is preparing to finance the work of expert groups whose members will be leading specialists of Ukraine, Russia, and other countries.

We also have one extraordinary function—to perform as the guarantor of the founders. The fund has already today united the enormous scientific-intellectual and financial-material potential that its founders possess. With time, they will be joined by new social and scientific organizations, industrial, construction, and transport enterprises,

and by the agrarian economy. I do not doubt that this will be of interest not only to domestic, but also to foreign investors.

The fund will also be able to assist in the resolution of such a complicated problem as providing consumers with electricity.

We are not relying very much on the effectiveness of interstate relations on this question. It seems that a program of investment of the energy complex of Russia on joint ownership rights is significantly more effective.

We are also setting ourselves the task of collecting and disseminating truthful and objective information about the condition of social life in Ukraine. It is no secret that of late both the Ukrainian and Russian mass media seem to be competing in prejudices. And for this, it is not at all mandatory to misinterpret or distort facts. It is enough to permit only those reports on the air or in newspaper columns that carry in themselves a frankly negative charge. The constituent conference discussed the question of publishing Ukrainian newspapers in Russia. With time, proposals will be studied regarding the establishment of general Ukrainian-Russian information agencies—television and radio channels.

Several words regarding the liberalization of foreign economic relations. It is not a great honor to be a dependent. Therefore, in directing the activity of the fund, we will acquire the understanding and support of world opinion, close cooperation with all international states, and public, religious, and of other organizations that are considering overcoming the crisis situation in Ukraine, raising the standard of living, and creating conditions for the democratic transformation of our society as a problem of international significance, and as a guarantee of peace and security in Europe.

Our fund also has a humanitarian direction. The difficulties of the transition period are hitting first and foremost public education and health services specifically. Therefore, among the main tasks of the fund is real support of the social and cultural sphere.

#### In Place of an Epilogue

[Menzhulina] Vitold Pavlovich, our readers would not understand us if we passed over the question in our interview with you about today's alarming situation. Ukraine and its people are literally feverish from inescapable problems. In your opinion, as a former head of the government, where is the error, and wherein lies a possible solution?

[Fokin] The main thing is to preserve peace and unity, and to work for the future. That which we now hear from various sides—protests, warnings about possible strikes, reproaches directed at the leadership of the country—all of this, unfortunately, is not groundless. But it is necessary to display self-restraint and lawfulness, and we must support the new elections to parliament. Of course, the situation is very difficult for the leaders of trade unions and the workers' movement. Their sacred duty is to defend the interests and to achieve the social protection of all elements of society, but, first and foremost, of the workers. And nevertheless, while insisting on an increase in wages, they must understand that it is impossible to pull a very

short blanket over everyone. The state is not in a condition to protect all members of society equally. I, in principle, support the plan of the Cabinet of Ministers to develop a program of national salvation, if it only determines who specifically the state should take under its guardianship. I am convinced that this is pensioners, invalids, children in large families, servicemen, and student youth. Scientific, cultural, health servicing, and educational organizations retain a special status. Only they have a right to enjoy subsidies from the budget. And even the super-important branches of production should not receive any kind of subsidy. At the same time, the focus should be placed on the regional organs of administration. And the budget should be developed from below, taking into account the local requirements and capabilities for social protection. The national salvation budget can be developed in half a year with breakdown into quarters.

As for able-bodied citizens, let them not be offended by me, they will have to work with blood and sweat—apparently there is not enough “blanket” for them. They will have to work like the people worked in Hungary, Poland, the Czech Republic, and other countries. No one there measured the duration of a work week. There was no other way out. As it is here now.

[Begin boxed item] **From the Congratulatory Letters of the Presidents of Ukraine and Russia to the Fund Founders**

“Ukraine attaches exceptional significance to the development of multilateral and equal relations with all countries of the world and at all levels: interstate, interdepartmental, and between individual people, organizations, and enterprises. But it is my profound conviction that we should have special partnership relations with Russia. Therefore, achievement of the objectives that the Fund has set for itself—to promote the improvement and development of Ukrainian-Russian ties on a non-governmental level and in the humanitarian, economic, and ecological spheres—will, undoubtedly, be very useful for the strengthening of mutual understanding, friendship, and all-around cooperation between Ukraine and the Russian Federation.

“I sincerely congratulate your founders on the initiation of activity.

[Signed] Leonid KRAVCHUK“

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“I think that your fund, by uniting its efforts with the Fund of Humanitarian and Economic Cooperation With Ukraine that is now being formed in Russia, can bring many benefits. Communications between the citizens of our countries and the development of Russian-Ukrainian economic contacts and ties are really capable of bettering the life of the people.

“I sincerely congratulate you and all of the participants in the fund with its presentation, and I wish you great success. With a profound belief in friendship between Russia and Ukraine.

[Signed] Boris Yeltsin“[End boxed item]

## **Ukrainian Ambassador Discusses Economic Ties With Turkey**

944K0523A Kiev GOLOS UKRAINY in Russian  
24 Dec 93 p 5

[Interview with Igor Turyansky, ambassador extraordinary and plenipotentiary of Ukraine to Turkey, by Valentina Pisanskaya; place and date not given: “Bid Farewell to Illusions Once and for All...”]

[Text] *I met Igor Turyansky, ambassador extraordinary and plenipotentiary of Ukraine to Turkey, at the beginning of the regular Kiev-Istanbul-Kiev flight made by the Avialiniya Ukrainy company.*

*Igor Mefodyevich was glad to grant an interview to GOLOS UKRAINY.*

[Pisanskaya] We have heard about the “Turkish miracle”—the economic reforms which, if they have not transformed this not very rich country into a civilized paradise, have at least led its citizens onto the path of abundance. And indeed even with a brief acquaintance with Turkey one is struck by its immense commercial market. It would probably be logical for Ukraine to arrange economic relations with this neighbor of ours as quickly as possible.

[Turyansky] As logical as it gets... And I understood this the first day I worked here: The immense prospects for economic cooperation are practically not being realized, mainly because of the passivity of Ukrainian entrepreneurs. But the Turks are extremely efficient people. For them their word is like law. If we have discussed some proposal on the telephone in the morning, in the evening a fax of a joint agreement is sure to arrive. They have an excellent understanding of our difficulties and are trying to help. But we, unfortunately, are not prepared to accept this help. And we are unprepared at the very highest levels.

[Pisanskaya] And is Turkey prepared to cooperate?

[Turyansky] Yes. Business people here are well aware that Ukraine is renowned for its metallurgical industry, coal, and sugar. These are traditional items in our exports and the Turks are interested in them. And it would not hurt Ukraine to have the consumer goods which are plentiful in Turkey. Moreover, the Turks are excellent builders and cooperation is possible here as well.

[Pisanskaya] Have there been any concrete proposals from Turkish enterprises?

[Turyansky] Of course. But they are being realized extremely unsatisfactorily. For instance, in May a Turkish company proposed to invest \$50 million in Ukraine. Within two days I had sent the documented information to Kiev. And what do you think happened? Specialists from the Eksimbank did not arrive for negotiations until the end of October...

[Pisanskaya] It took Turkey 13 years to carry out its reforms. What do you think—will it take Ukraine just as long?

[Turyansky] Ukraine does not have that possibility. We are so far behind in our development that we have to make haste. And to do this we must say farewell to our illusions once and for all. We must have patience and build partnership relations with the surrounding world.

[Pisanskaya] What part of Turkey's experience in economic reform may be used by Ukraine?

[Turyansky] I would put the question differently. The now late president of Turkey, Turgut Ozal, during my meeting with him named several factors that are keeping Ukraine from moving forward. They include, first, the dependency on a single source of energy. He was convinced that energy sources must be diversified. And he gave an example: At the beginning of the reforms Turkey was unable to cover the cost of imported energy sources with exports—this took 120 percent of them. Now Turkey is paying for its energy sources with just 18 percent of its exports.

Second, Ukraine is still not relying on small and medium-sized enterprises. Is it really so difficult to understand that if a person has something of his own he does not have time to wave flags and banners and he will no longer have to take it away from someone else?

Incidentally, in the sphere of services and trade the Turks work from 0700 until 2300. They are aware that each client means a kopek in their pockets.

[Pisanskaya] You tell me about the great prospects for Ukrainian-Turkish cooperation, and yet it has already turned out that our politicians and entrepreneurs have been and still are oriented more toward Western countries...

[Turyansky] You see, it is not so much that they have been oriented that way as that they have been expecting that the West will help us, give us something. This is a mistake. It is possible to give, but only a little.

Relations with Turkey are no panacea either, but it is extremely advantageous partner and, the most important thing, it is interested in cooperation, and we are linked by excellent sea transportation arteries. Regular air communications have now been opened up. But for now we are losing great opportunities for cooperation. It is already uncomfortable to look in the eyes of Turkish entrepreneurs who, on my recommendations, are traveling to Ukraine and returning from there with empty hands without even having found any interest in their proposals.

[Pisanskaya] But there are lively communications with bazaar merchants—the so-called wild financial-trade tourism. Is there a problem with this?

[Turyansky] There is. Each year about a half million people travel from Ukraine to Turkey—to buy some things and to sell some things. I thought that everything had already been shipped from Ukraine to Poland. It turns out that this is not the case. Hammers, nails, watches, cigarettes—you can see everything in the Turkish bazaars. And even when our compatriots are guests they sometimes act as though they are at home, and sometimes so rudely that it is difficult for the embassy to straighten things out. Some people lose their passports and money, others have them stolen, and others connive to save money on their ticket home. There are also those who bring in contraband and violate customs rules. There are now 15 citizens of Ukraine serving time in Turkish jails.

But the telephones in the embassy are never quiet and the doors never close for other reasons as well—the entrepreneurs of Turkey are trying to set up relations with us. I believe that this interest will serve both countries for a long time to come.

### **Report on Black Sea Economic Cooperation Organization**

944K0537A Kiev URYADOVYY KURYER in Ukrainian  
21 Dec 93 p 5

[Article by Andriy Berezhniy and Valeriy Novytsky, members of the inter-departmental working group on trade and industrial cooperation issues of the Black Sea Economic Cooperation Organization: "Black Sea Cooperation: Time for Action"]

[Text] The Black Sea Economic Cooperation Organization (ChES), one of the newest international organizations to start to have a considerable impact on the dislocation of forces and alliances on world stage, is attracting considerable attention to itself.

The idea of forming such a group had been mooted long ago, but only in recent years, mainly thanks to efforts by Turkey, it has attracted wide recognition which was implemented with the signing of the relevant declaration by leaders of 11 countries on 25 June 1992. That day in effect became the founding date of the ChES; among the founding members of that organization, in addition to Ukraine, were Azerbaijan, Albania, Bulgaria, Armenia, Greece, Georgia, Moldova, the Russian Federation, Romania and Turkey.

Most of those countries fully support the concept of the ChES and have serious, although sometimes dissimilar, intentions to build the necessary legal foundations for economic integration, growth of trade and implementation of joint investment projects. For instance, the position of Greece, Romania and Bulgaria on investing ChES organizations with considerable powers and creating special favorable conditions for economic cooperation in the region has been cautious and reserved. As to creating the appropriate legal foundations, modifying existing foreign trade regimes and establishing a free trade zone and other institutional structures, all this would seriously impact their status in another, for them more significant organization: the European Union (EU). (Greece is its full member and Bulgaria and Romania hold associate membership.)

Ukraine has its own interest in this, and its candidacy as a leader of the ChES could become an acceptable compromise. (Initiatives to that effect are the responsibility of the Ministry of Foreign Affairs.) Other solutions are also possible: representatives of different states could hold this position by turns.

While discussing the role of Ukraine in the ChES, it should be mentioned that on Turkish initiative our country was chosen as the site of a parliamentary session of that organization at the start of December. Analysts have noted that the ChES parliamentary session, which took place in Kiev, was very productive.

Sometimes one hears doubt whether attention should be focused on the problems of Black Sea cooperation if for Ukraine, as well as for other countries in the region, the



geopolitical goal is to become integrated into the EU, or whether hopes to bring together dissimilar member states within the ChES might not be Utopian.

Responding to the first of these general questions, we should note that it would be irresponsible to define the issue in either-or terms. For Ukraine to claim a full EU membership status that would allow it to participate in its integration processes and make use of all the related advantages, subsidies and a wide range of favorable opportunities for economic development would be impossible for many years to come. Yet, the task of overcoming a severe socio-economic crisis is already facing our country today. Moreover, strengthening cooperation with other countries of the "European underbelly" as a way toward Brussels would only give us more weight in the eyes of desirable partners. Incidentally, these considerations are very important for Turkish politicians. Thus, we think that Ukraine should look at the problem more broadly, in the context of its officially declared intention to seek widest possible geographical ties and to overcome distortions resulting from a one-sided orientation.

Clearly, it would be much easier to build economic cooperation in the Black Sea region as a series of bilateral projects or broader geographical projects focused on a single industry. But this does not preclude the possibility, or removes the need, to build a system of multilateral cooperation, which would encourage many forms of localized cooperation while, on the other hand, assuming a much broader form.

During negotiations within the ChES, member states expressed their interest in cooperating in such areas as construction and modernization of highway and railway networks; rational utilization of Black Sea fishery resources; construction, modernization and improved use of Black Sea ports; improvement of telecommunications links between ChES members and laying of the fiber-optic cable between Turkey, Romania, Bulgaria and Ukraine.

On its part, Ukraine expressed an interest in working within the ChES framework on modernizing oil refining plants, building terminals on the shores of the Black Sea for receiving shipments of oil and liquefied gas, cooperating with foreign companies on the development of non-traditional energy sources, technical retooling of metallurgical plants, building new capacities, implementing a multilateral program to produce electronic equipment for various sectors of the economy using semiconductors produced in Ukraine, etc.

At this stage, Ukraine must develop a general conceptual vision of its economic interests in the ChES, set a target level for integration into ChES and its organizations and find practical ways to achieve expected results. The latter task is related to the need to find out, at last, who is responsible for what in the context of goals being considered, since it must be acknowledged that, as a rule, the Ukrainian side does not generate initiative in developing various business proposals, and that in our country those who are responsible for this are often insufficiently active or incompetent.

This is why we must now start serious analytical and organizational work at state organizations and enterprises. The future of Ukraine is closely linked to the Black Sea

region and at the early stages it is important not to err in selecting strategy and tactics, for in no time at all we may find ourselves on the "dustheap of history."

### National Space Agency Develops Program for Satellite Links

944K0524A Kiev URYADOVYY KURYER in Ukrainian  
7 Dec 93 p 8

[Article by Volodymyr Horbulin, general director, Ukrainian National Space Agency, and Oleksandr Zhyvkov, division chief, NKAU: "Satellite Communications Links in Ukraine"]

[Text] It is a matter of common knowledge that the state-of-the art development of industry, transportation, the banking and finance system, as well as the mass media, require reliable, multi-channel, and frequently mobile communications links.

To a considerable extent, these needs can be met and provided for by means of creating and developing satellite-link systems. The practical experience gained by other states in this sector attests to the fact that what works in creating national satellite-link systems is either based on the share-type participation of state and commercial structures, or leasing satellite-link channels from other countries. There are sufficient grounds for considering that Ukraine's scientific, technical, and industrial potential—as well as its geopolitical position—will enable us to solve this problem in a comprehensive manner.

In accordance with the directive issued by the president of Ukraine, dated 3 October 1992 and entitled "On a National System of Communications Links," as well as Decree No. 92 issued by the Ukrainian Cabinet of Ministers, dated 4 February 1993 and entitled "On Measures Regarding the Creation of a Unified, National System of Communications Links," the Ukrainian National Space Agency (NKAU) has developed a Program for Creating a Ukrainian Satellite-Link System.

Primary attention in this program was accorded to the following four services, which we will briefly discuss below in order to inform the readers of URYADOVYY KURYER.

#### 1. A satellite-link system for general use

This has the task of providing and ensuring an international link, as well as additional (reserve) communications channels within our country at times of overloading and accidents on the radio-relay lines and cable links. At present international telephone links have been provided to the United States, Canada, and Southeast Asia by the satellite-link station in the city of Zolochiv (there are approximately 500 telephone cables here); this is done via satellites of the international consortium known as Eutelsat. To Western Europe communications links have been provided via Eutelsat's European satellite by a station set up at the Kiev International Telephone Exchange (120 channels). Further development of this service will be carried out by way of modernizing the Zolochiv Station (its potential throughput capacity is close to 1000 telephone channels), and the station at the KMTS [Kiev International Telephone Exchange] (with close to 500 channels). Provisions have also been made to build satellite stations in oblast centers.

## 2. A system of satellite television viewing

As of today, the territory of Ukraine has no broadcasting stations within a network for distributing TV programs via satellite, although individual consumers or users can receive more than 20 TV channels from foreign satellites. Our program provides for expanding two or three channels to Ukraine and to Europe, as well as for broadcasting TV items to the United States, Siberia, and the Far East. For this purpose we will be able to utilize the resources of the station at Zolochiv, as well as the teleport whose construction is planned to begin quite close to Kiev. This teleport has been designed in such a way that—after the Lybid spacecraft has been put into operation—most TV will be relayed to the teleport from leased foreign satellites.

## 3. A system of satellite links with mobile objects

With the aid of this system it is planned to organize dispatcher-type links for guiding or direct technological processes for transport. At the present time links with mobile objects (and in Ukraine these are still only ships) are carried out via spacecraft of Intelsat and Gorizont, as well as the central station (TsMSZ-1) located in the city of Odessa. Our program provides for expanding the technical capabilities of TsMSZ-1 in order to offer the new types of services which are now being introduced all over the world.

Beginning in 1995, we will be launching the Arkos and Mayak satellites in order to replace Russia's Gorizont satellites. The NKAU has been conducting negotiations with the Informkosmos Joint-Stock Company—the developer of the Marafon mobile satellite link. The purpose of Ukraine's participation in this project was conditioned by several factors. These include advantageous rates for us for the link services and the participation in this project by Ukraine's leading enterprises, in particular, by the Muson Concern, located in the city of Sevastopol. It is the only plant on the territory of the former Soviet Union which has produced mobile satellite-link stations for civilian uses.

We must also take into account the fact that satellite links constitute one of the most profitable types of business, and hence Ukraine's participation in these promising international projects is desirable, all the more so in that investments can be made in the form of products of our own enterprises, rather than by hard currency.

## 4. A system of satellite links for news, information, and business

This service will consist of individual networks of links which will provide exchanges of information in the interests of the president, organs of state administration, banking structures, various departments, etc.

Certain networks of the business and information links are being created within the framework of the program for converting defense-type enterprises. Thus, for example, the Kiev Radio Plant is producing small-scale stations for the Sokil satellite link (the dimensions of the antenna are 46 X 46 cm), on the basis of which the communications network of the Ukrinterzv'yazok Firm are being organized. The large-scale network of a banking communications link for Ukraine's Prominvestbank is being created by the Geosat firm, based on the SSZ [satellite-link station] which is being turned out in Izhevsk.

Negotiations are being carried out with Western partners concerning joint production of SZ stations for individual use at Ukrainian enterprises. These stations can operate within the international networks of the satellite links on spacecraft of Intelsat and Eutelsat.

The developers of the program which we are discussing here envision two stages for implementing it. The first stage is offering the services on the basis of leasing already-existing satellite links, developing a ground-level infrastructure in all four of the above-mentioned services, as well as the development, manufacture, and launch of our own satellite links, along with participation in the international project for the Marafon mobile link system.

The second stage is as follows: After the launch of the Lybid spacecraft, most of the traffic will be transferred to it. Leasing channels on foreign satellites is to be maintained—for the most part—by means of links with America and the Asian-Pacific region. What is envisioned is the possibility and the capacity of leasing to other states and to foreign organizations a portion of the resources of this spacecraft, offering to make available the services of this satellite link to adjacent regions, carrying out launches with the aid of Zenit rocket-carriers, and selling systems as a whole, including those of rocket-carriers and spacecraft.

Developing the Ukrainian satellite-link system in the first stage—prior to 1997—in the event that all the services envisioned by our program are adopted—would require 300 billion krb. [karbovantsy] (at the prices prevailing in July 1993) and 100 million dollars. Most of the hard-currency outlays (97 million dollars) would be earmarked for leasing channels on foreign spacecraft.

From the time when the Lybid spacecraft is put into operation these outlays—while retaining and even increasing the volume of services rendered by the satellite links—would be reduced by approximately two-thirds and would amount to about 5 or 6 million dollars per annum. The expenditures in the national currency for maintaining the Lybid satellite-link system would not increase because the basic funds for creating it would have been spent during the first stage.

And so (not even taking profits into account) the creation of a satellite-link system using our own spacecraft would enable us to save some 10-12 million dollars a year and to offer users in Ukraine all the necessary services of a satellite link.

If we were to abandon the creation of our own spacecraft and hire foreigners on a contract basis to produce it and launch it into orbit, then the outlays for creating the satellite segment alone—one which would be analogous to Lybid—would amount to approximately 160-200 million dollars, instead of 30-50 billion krb. Such a great difference is to be explained—in addition to everything else—by the high degree of readiness of the Zenit rocket-carrier and by the capability for manufacturing our own platforms for satellite links. In other words, Ukraine already has an abundant supply of those very systems components which are so expensive on the world market.

The difference in the value of a satellite link "made on contract" and one of our own systems amounts to a factor of 8-10. And this also provides us with an opportunity to

acquire big profits both from selling the services of our links and from selling the satellite links themselves—as well as their launches—on the world market.

We are still at the beginning of the road to creating a satellite-link system in Ukraine. But this road must be traveled so that Ukraine may become a truly independent state.

## INTERNATIONAL AFFAIRS

### Envoy on Delegation Working Conditions

944K0487A Kiev UKRAYINSKA HAZETA in Ukrainian  
No 20, 2-15 Dec 93 p 6

[Interview with Viktor Havrylovych Batyuk, ambassador extraordinary and plenipotentiary of Ukraine to the United Nations, by Lidiya Korsun, UKRAYINSKA HAZETA special correspondent in the United States, under the rubric "National Treasures," at the Ukrainian UN mission, date not given: "Not Only the Gold Itself May Be the Gold of the State...."]

[Excerpts] Who is he, the permanent representative of Ukraine at the United Nations? Why was this responsible mission at the premiere international commonwealth in the world entrusted precisely to him and a small group of coworkers?

So, Ambassador Extraordinary and Plenipotentiary Viktor Batyuk is an interlocutor of UKRAYINSKA HAZETA.

First, a short file. Viktor Batyuk is 54. He graduated from the Institute of International Relations in Moscow. He held diplomatic positions in the organization of the Ministry of Foreign Affairs of Ukraine: at the Permanent Mission of Ukraine at the United Nations (New York, 1968-1973), as an aide to the minister, the general secretary of the Ministry of Foreign Affairs (1974-1977), the permanent representative of Ukraine at the offices of the United Nations and other international organizations in Geneva (1978-1984), and as the chief of the department of international organizations and member of the collegium of the Ministry of Foreign Affairs of Ukraine (1985-1991).

On 4 March 1992 he was appointed a permanent representative of Ukraine at the UN.

Within Ukrainian delegations, he has taken part in many international meetings, as well as 20 sessions of the UN General Assembly.

Also, he is a member of the Union of Writers of Ukraine, a translator of the works of Indian and American writers.

He is married with three children.

The diplomatic corps of the Ukrainian UN mission consists of:

Volodymyr Khandohiy—deputy permanent representative;

Oleksandr Motsyk and Oleksandr Horyn—first secretaries;

Viktor Andriyaka, Ihor Humennyi, and Valeriy Kyrychenko—second secretaries;

Vitaliy Malashchenko—an attache.

All have special higher education. Their average age is 37.

With one exception, all are married. [passage omitted]

[Korsun] Viktor, let us discuss the issues of our mission.

[Batyuk] At present, Ukraine has its diplomatic missions in a few dozen countries. As has already been mentioned, 184 states belong to the United Nations. Consequently, contacts are maintained through us with countries in which our embassies do not operate (we bring to their attention the positions of our government, political statements, and so on). This is an intensive and great effort. For us, vacations once every two years have been established.

[Korsun] What is the difference between the functions of the Ukrainian representative at the UN in the environment of the former Union and at present, when we have an independent state?

[Batyuk] The difference is striking. Previously, it was like this: The landlord and a live-in son-in-law sat on a block. The latter merely listened, and had no right to put in a word of his own. At one time, ours was a decorative, pro forma mission, despite the fact that the flag of Ukraine flew over the common building. We now say our word out loud, pursue the policy of an independent Ukraine, and work out our course independently and follow it independently.

[Korsun] How do our neighbors, the Russian mission, respond to this? Does their leading, supreme role manifest itself (say, through information)?

[Batyuk] We feel supremacy. To be sure, there are no complaints concerning purely human relations between colleagues. However, the congenital "great-power attitude" is frequently all too obvious. Besides, we room with in-laws. For example, a "directive" comes: Effective 1 February of this year, payments for the use of such and such services will be increased by this amount. There are no explanations as to why. Visitors come to us here, to this reception room. Some ask before the conversation, pointing at the adjacent wall: "Will Mr. Vorontsov (representative of Russia at the UN—note by UKRAYINSKA HAZETA) hear our conversation?" I happen to answer "Yes" because important texts sent by fax to the UKRINFORM for some reason suddenly end up in the adjacent mission. Or else this "thing" which was recently installed by the neighbors. (He pointed at the ceiling.) They said that this was additional fire protection equipment. It is strange because issues of reliable fire prevention were resolved here a long time ago. Once again, they did not consult us even 'for the sake of appearances' about the 'fire alarm' system."

[Korsun] Can we say this in the newspaper? Is this not a diplomatic secret?

[Batyuk] No, this is not a secret. This is our predicament. This is why the issue of moving our mission to separate premises remains pressing. A search for ways to resolve this problem is underway. First of all, it is necessary for Russia to return the share due us in a 13-floor building which was legally acquired in 1964 by three states—the USSR, Ukraine, and Belarus. Russia is in no hurry to relinquish its control over diplomatic property. I think that our ministry should raise this property problem before the Government of Ukraine in an acute and resolute manner for the latter, in its turn, to press Moscow: "Return to us



what is ours." Otherwise, only Russia will present bills for "our debts." At present, it is difficult, almost impossible, for Ukraine to equip embassies in other countries "from square one." For example, our diplomatic mission in Turkey is crowded into a few hotel rooms. At the same time, it is felt that the significance of our UN mission is somewhat underestimated. To my mind, we should buy something even below 38th Street where establishments of this rank are not located. However, housing costs two times less there. At the beginning, let it be the way it is. Let our poverty shine through. However, as Oles Honchar said, on the other hand, we have freedom and independence. Enough of this living and feeling as if we are in a single kolkhoz called the USSR.

[Korsun] I know that the Ukrainian community in the United States, which has already established the Fund of Aid to Ukrainian Diplomatic Missions, sympathizes with you.

[Batyuk] Yes. I am immensely grateful for this. The building of our embassy in Washington is being outfitted with the monies collected by the fund; the building of the consulate in New York, the official opening of which is planned for this year, is being repaired. The consulate in Chicago has been in operation for a year now. Here, the fund has also joined us in order to purchase some equipment. In particular, we received a copier and installed a trident at the entrance to our floor; on request, they provide consumer services to the members of Ukrainian delegations, and so on. Thus, our countrymen help us here with more than just words and applause....

[Korsun] A mountain of debts to the UN is dragging Ukraine down....

[Batyuk] A contribution amounting to 1.87 percent of the UN budget has been established for our state. This proportion is obviously overstated. It was calculated on the basis of the Union total when the ratio of the karbovanets to the dollar was likewise overstated. There are also a number of other reasons. Everybody understands them, but for now nothing can be done, although we continuously strive to establish the truth. As of today, our debt to the UN comes to \$95 million. If we do not pay \$19 million before the end of this year, we will lose the right to vote in the General Assembly. This has already happened to some small countries. We would prefer not to end up on this list. Unfortunately, only \$1.5 million has been paid so far out of the \$19 million.

[Korsun] It would be interesting to know what the overall budget for maintenance of the UN comes to.

[Batyuk] At present, \$1 billion is the annual budget for general expenditures and tentatively \$3 billion for peace-keeping and security measures. The latter number changes depending on the situation and the existence of hot spots in the world. In recent years this item of expenditure has increased severalfold.

[Korsun] You mentioned the 13-floor building which you "inhabit" together with Russia. How many floors does your team have?

[Batyuk] Russia has allocated one floor to us. Certainly, this is not enough. Missions of independent states of the former USSR—Belarus, Kazakhstan, Georgia, Tajikistan, Turkmenistan, and Kyrgyzstan—also have some space. Both we and they have cramped working conditions. Our team includes 13 employees, of whom eight are diplomats and five are support personnel (a secretary, an accountant, a driver, a typist, and a janitor).

[Korsun] In one of the interviews, you complained about a lack of qualified cadres in conjunction with an extensive entry by Ukraine into the worldwide diplomatic space. Are you happy with your assistants?

[Batyuk] It is possible to do business with those I now work with. Our shortcomings are common and concern almost all diplomats. We grew up in the environment of Russification and a lack of ethnic identity. Many lack the experience of working in an independent state. Professional qualities are desirable for each one of us first of all.

[Korsun] What are the arrangements for your coworkers as far as the way of life, schooling for their children, etc., are concerned?

[Batyuk] Three families—mine, the secretary's, and the driver's—live in this building where our permanent working offices are located. The rest of the families live in the so-called "white house" (it is just that its color is white). This is a residential building for families from the missions of the former Union. It has about 200 apartments now.

The children of our employees go either to American schools (if they began to study in younger grades here) or to a Russian school (if they were older when they came here). All children also attend the Ukrainian "Native School" on Saturday. For example, my grandson Ivan, who is seven and a half, went to an English school. Certainly, one day of instruction in the Ukrainian school per week is clearly not enough. The example of the former GDR would be desirable. As is known, Germans are a nation with a markedly manifested national sentiment. Previously, if there were as few as two school-age children in a German diplomatic mission, a permanent teacher was assigned to them for daily instruction. [passage omitted]

## BELARUS

### Foreign Minister Hit for Maladministration

944K0534A Minsk SOVETSKAYA BELORUSSIYA  
in Russian 18 Dec 93 p 3

[Article by Valeriy Tsepka, political scientist: "Creators of the New Sensation, or About the Myths of the Foreign Policy of Belarus"]

[Text] "The world revolves not around the creators of new sensations but around the creators of new values..." F. Nietzsche: "Thus Spoke Zarathustra."

The problems of Belarus today have been mixed in to the domestic political sphere. The republic's population is suffering from higher prices, impoverishment and unemployment, a sharp rise in crime, and a loss of future prospects. Because of the difficulties of daily life, public opinion remains actually indifferent to questions of foreign policy. Yet we cannot allow ourselves to be indifferent to international activity. The taxpayer has the right to know about the effectiveness of the utilization of funds spent for conducting the state's foreign political activity.

#### How It All Began

Foreign policy, like policy in general, in civilized countries is formed by a fairly narrow group of people. They include political figures of a certain level and the so-called analyst-experts who develop various political concepts.

In Belarus, which is just starting out on the bumpy path of development of civilization, the situation with the development of a political course is much simpler and hence also sadder. A lack of professionalism does not play last fiddle in the political orchestra of the Republic of Belarus. This disease has affected many power structures of our country as well as, unfortunately, one of the key organs of state administration—the Ministry of Foreign Affairs.

Many critical shots have been taken at this department recently. And Petr Kravchanka, chief of the Ministry of Foreign Affairs, has ended up at the center of the target. And in general this is understandable. It is the leader of the Ministry of Foreign Affairs who is largely responsible for both foreign policy and the republic's image in the international arena. Therefore when analyzing the foreign policy of independent Belarus, the author of these lines automatically has to look at the image of the minister of foreign affairs.

To be fair, it should be noted that Kravchanka's first steps in the post of leader of the foreign political department deserved all possible praise: It was necessary to begin under the conditions of the existence of the USSR when the Belarusian Ministry of Foreign Affairs was nothing more than a branch of the Union one. In these circumstances, which were so unfavorable for the establishment of national independence, the only correct line of foreign political behavior was selected—cultural-national.

"Native Tongue," the propaganda of Belarusian culture, the development of ties with the Belarusian diaspora—all this could not fail to evoke the sympathies of the republic's intelligentsia. For a certain amount of time Petr Kravchanka was able to charm even the leaders of the Belarusian People's Front who, in general, cannot be

suspected of having great love for the so-called party nomenklatura. I would also like to point out another of the minister's positive characteristics—his consistent behavior. Certain of his opponents understand this quality as an adherence to methods and forms of party leadership. But the author sees it as "devotion to ideals," in the long list of which one can note ideals of a culturalogical direction.

Veteran Belarusian diploma and the intelligentsia will understand well how three years ago the Ministry of Foreign Affairs was turned into something like a private investigation bureau, all of whose workers day and night, with or without technical means, looked all over the world for the notorious "cross of Yefrasinya of Polotsk." These searches continue to this day, although with less enthusiasm.

While giving the great Belarusian sacred object and the need to return it to the homeland their due, it still should be noted that searches for national treasures that have disappeared abroad should be handled, apparently, by the Ministry of Culture and the corresponding authorized organs. And the Ministry of Foreign Affairs may exert a certain diplomatic influence but certainly not usurp the entire process.

But we will not get into an analysis of the causes of the "cultural fever" that gripped the Ministry of Foreign Affairs abroad for two epochs. A sufficient number of interesting articles have been devoted to this topic. Let us turn to the less-studied aspects of our state's foreign political activity.

#### Forgotten Initiative

One of the methods of fighting for peace is to fight for the creation of a zone free of nuclear weapons. A couple of years ago Minister P. Kravchanka put forth an initiative to create a nuclear-free zone from the Baltic to the Black Sea. But no further steps were taken to add details and real content to this initiative. The problem of a "Ukrainian Chernobyl" remains. Moreover, it recently acquired a new quality—our southern neighbors decided to continue to operate their nuclear reactor. And what can be said about the condition in which nuclear weapons are kept in Ukraine today! This is how our initiative, long forgotten by everyone, has been realized.

While the citizens were thinking about the problem of doing without nuclear weapons, they were told that Belarus had submitted a proposal for mediation in the Nagorno-Karabakh conflict.

A moment later we are already becoming the initiators of regulation of the conflict in the Dniester region. The latter, naturally, was resolved without even our minimal participation. As for Nagorno-Karabakh, here at the diplomatic level our side has done nothing and is doing nothing. The minister has not taken a single trip to either Armenia or Azerbaijan. They have all been longer—to Western Europe and America. Apparently Belarus needed the intermediary mission more than the Transcaucasus did.

The only result of our activity for regulating conflicts has been that the government has allotted money for the reconstruction of a number of facilities in the former building of the CPSU Gorkom [city committee] (now,

Ministry of Foreign Affairs) for an international group of observers. But the intermediary group moved to Rome without even registering in our country.

#### **Memorial Markers Are All Right, But...**

The activity of Belarus in the United Nations is evoking a multitude of complaints. Naturally, one is reminded of the related work of the Ministry of Foreign Affairs during the past three years in this area—A. [as published] Kravchanka's appearance in the United Nations in an ethnic shirt. This surrealistic episode, incidentally, can be included among the minister's cultural predilections.

The next session of the UN General Assembly (the minister of foreign affairs headed this delegation as well) was marked by the fact that the contribution of Belarus to the United Nations was increased by \$2 million. We will now pay three times more than Hungary, twice as much as Greece, and 1.5 times more than the 800 million put up by India.

Without analyzing the reasons for adopting this decision, one can say merely that it will lead to a 1.5-fold increase in the republic's contributions to other international organizations, which are based on the existing scale of contributions to the UN: the IAEA (International Atomic Energy Agency), UNIDO (United Nations Industrial Development Organization), UNCTAD (United Nations Conference on Trade and Development), the International Labor Organization, UNESCO (United Nations Educational, Scientific, and Cultural Organization), and dozens of other international organizations and hundreds of various conventions and joint expert and consultative groups.

The leader of the Ministry of Foreign Affairs prefers to remain silent about these facts. Therefore we will most likely not learn the truth about the contribution of the long-suffering Belarus to the budget of the Conference on Security and Cooperation in Europe either. All we know is that it exceeded the contribution of Portugal and Ireland, whose economic potential is not likely to be very far below that of our country. And if perhaps these figures still do not strike terror in us, as more institutions of European cooperation appear, Belarus' contribution will strike a painful blow to our pocketbooks, which are practically empty to begin with.

Belarus' sharp increase in expenditures on multilateral diplomacy is occurring under conditions of a terrible economic crisis, which has struck literally all branches of the republic national economy.

A curious comparison can be made with the People's Republic of China. A country with more than a billion population and the most rapid rates of economic growth in the world (about 12 percent annually), each year it contrives to reduce its contribution to the budget of the United Nations. After the increase of the contribution of Belarus and the regular reduction of China's contribution, we have almost caught up with this superpower in terms of the volume of hard currency payer's for maintaining international bureaucrats.

Is there really no logic in diplomacy? There is logic. It lies in the varying degree of effectiveness of diplomatic efforts of various countries.

At the last session of the UN General Assembly Belarus submitted its candidacy for the Security Council. It lost to the Czech Republic. Now we will not appear on the lists of candidates for this position before the next millennium. Although if we had been able to really evaluate our capabilities and gain the support of the Czech Republic and Slovakia, at the next elections in two years our chances of obtaining a position on the Security Council would have looked much better.

Another fact related to the selection procedure is confusing. After the first round of votes it was clear that the Czech Republic would make it onto the Security Council. In this case the states that garnered the fewest votes in the first round, as a rule, remove their candidacies for the next vote, as if making a gentlemanly gesture. Belarus did not do this. We know how it ended—the Czech Republic was selected.

But let us be tolerant. Today's diplomacy is mainly multilateral diplomacy. In the international arena questions are decided to an ever increasing degree in informal discussions with the participation of several diplomats at the same time. Having only one foreign language, Russian, the minister of foreign affairs apparently sometimes experiences certain difficulties in communicating with representatives of other countries. Therefore some of the aforementioned blunders are partially the result of objective difficulties related to the problem of understanding.

But there are also blunders that have nothing to do with understanding....

Strange as it may be, the Czechs did not put up their memorial plaques to Karel Capek and Jaroslav Gasek throughout all of Europe, but they were still selected for the Security Council. But, putting up signs all over the world and calling this foreign policy, we speak with the Italians about Frantsisk Skorina and his plaque in Padua, we engage in conversation with the Poles about Manyushko, and with the Japanese—about the need to immortalize the memory of Gashkevich. It is finally time to stop asking the entire world the eternal question: "Do you respect me?"

#### **A Time To Gather Up Stones**

For the foreign affairs ministers of the United States, Germany, France, Japan, and also the Czech Republic the imperative of foreign policy has been problems of the economy and particularly questions of international trade. The author of these lines is not surprised by the fact that the first question raised in the international arena by leading politicians of the West and East is the defense of their interests in negotiations within the framework of GATT (General Agreement on Tariffs and Trade).

It seems that the main foreign political task for Belarus is to provide favorable external conditions for carrying out economic modernization. But, observing the activity of the leader of the Belarusian Ministry of Foreign Affairs, one could get the impression that all of our problems related to this were solved long ago and we can allow ourselves to work on....questions of culture.

The situation is quite the opposite. Antidumping legislation is continuing to work against us in the European Community. That is, we are considered to be a country with subsidized production (like the former USSR and



now Russia). In other words, we continue to be seen as a state that receives oil, gas, and metal raw material at discounted prices. And therefore, unlike the Baltic states, we are taxed to such an extent that it actually blocks off our access to the European market.

In both domestic and foreign policy there is a certain tactic of behavior to which certain figures in the highest echelons of power resort from time to time. This tactic is as old as the hills, but even today it continues to produce certain political points. The main thing is to come up with a slogan or introduce an initiative and then, without following up on what has been said, immediately switch to other initiatives or historic programs.

Realizing the idea is much more complicated than merely discussing it. But it is the realization of what has been earmarked that increases the state's prestige in the international arena. Anything else merely undermines faith in the country's foreign political commitments.

There was a time when we threw stones. But sooner or later the time will come when we have to gather them—take responsibility for the promises we have made.

From the editorial staff. The facts contained in the published article show that Petr Kravchanka and the ministry he heads sometimes work on problems outside their purview. Moreover, instead of the expected aid, the republic itself is making considerable unjustified expenditures. Therefore it is impossible to understand why the activity of the Belarusian Ministry of Foreign Affairs has not yet attracted the fixed attention of the Council of Ministers and the Supreme Council. At the present time SOVETSKAYA BELORUSSIYA intends to publish a series of articles devoted to an analysis of the foreign policy of the Republic of Belarus in the most important regions of the world.

## MOLDOVA

### Ambassador Taranu on Elections, Dniester

944K0549A Moscow ARGUMENTY I FAKTY in Russian No 1, Jan 94 p 4

[Interview with A. Taranu, ambassador extraordinary and plenipotentiary of the Republic of Moldova in the Russian Federation, by V. Perushkin; place and date not given: "We Insist on the Withdrawal of the 14th Army"]

[Text] Of all the wars that erupted on the territory of the former Union, the war in Moldova was the shortest. Military operations in this region were suppressed with the participation of the Russian 14th Army. There is at the present time a fragile armistice on both banks of the Dniester. Our correspondent V. Perushkin asked A. Taranu, ambassador extraordinary and plenipotentiary of the Republic of Moldova in the Russian Federation, how political events would develop in Moldova in the immediate future.

[Perushkin] Anatol Mihailovic, do you not have the impression that all conflicts on the territory of the former Union have occurred and continue to occur not spontaneously but are a great bloody game being played according to a single script, the purpose of which is to unite everyone once again in a single union?

[Taranu] The point is that the status of diplomat requires that I be guided exclusively by the facts. I do not, however, have facts confirming your conjectures. But I agree that many of the events that are occurring could speculatively be viewed this way. And I would like to mention here that if Russia is to build its relations with its immediate neighbors on the basis of commonly accepted, civilized standards, this presupposes respect for the sovereignty and independence of the states that have appeared since the disintegration of the Union. In this case, despite the long transformation process, the result will be the most desirable for all without exception.

If, on the other hand, Russia attempts to spread its influence to its immediate neighbors by methods that were officially approved in Abkhazia or Moldova, the anti-Russian mood in the republics will intensify.

[Perushkin] What effect, in your opinion, will the results of the elections in Russia have on the political situation in Moldova?

[Taranu] Of course, both the October events and the results of the elections in Russia will, of course, be reflected in the political situation in the countries of the CIS, Moldova included.

The surprising success of political forces which, generally, no one had taken seriously before could signify the consolidation of all conservative blocs in our republic also. Considering that parliamentary elections on a multiparty basis are to be held in Moldova on 27 February 1994, I would like to hope that our democrats would draw the correct conclusions and not repeat the mistakes made by Russia's democratic forces. In addition, the election struggle with us is being exacerbated by the intensifying economic crisis. And the unresolved Dniester and Gagauz issues are complicating the situation as well.

[Perushkin] Certain Western newspapers are starting to say that economic assistance should not be channeled only to Russia. How, in your opinion, will Moldova attract the West's attention?

[Taranu] The extent of the aid to be received by Moldova was specified prior to the elections in Russia. And even after the results have been tallied, no abrupt leap forward on this matter on the part of the West has been observed. We have obtained credit, which is more or less enabling us to support the introduction of a national currency. The Moldovan national currency as of the present is one of the most stable currencies of the "near abroad" in relation to the dollar. A decline in the dollar's rate against the lei has been recorded even.

It seems to me that the West would be making a big political mistake were it not to render Russia the necessary support at this time in order to strengthen the democratic transformations there. There should be such assistance, but not at the expense of other republics, just as, equally, the latter should not obtain greater assistance at the expense of Russia either. Russia is today the main economic partner of the former Union republics. And the fullness and efficiency of economic relations with other regions will depend on how matters stand as regards the

economic reform here. All of the former, us included, are interested in Russia standing on its own two feet economically as quickly as possible.

[Perushkin] The introduction of a national currency has in many republics been more of a political than an economic step. Will Moldova not suffer the same fate as Ukraine?

[Taranu] From Russia's viewpoint such a step could be considered political. From the standpoints of the other republics, however, it was a forced measure. And it was attended by the defense of the republics' economic interests. In introducing at home banknotes of the 1993 sample, Russia in practice kicked the rest out of the ruble zone. In Moldova the decision to introduce a national currency had been adopted back in 1991, but only now could it be implemented, in extremely inauspicious conditions, what is more. Any currency can function normally only under conditions of growing production. It is essential that in 1994 we halt the decline in production and then organize its gradual upturn. Otherwise couponization or karbovanization, which are one and the same thing, for that matter, await us.

[Perushkin] Is there today a problem of the Russian-speaking population in the republic?

[Taranu] Undoubtedly. But it is considerably less in terms of scale than in other republics. Instances of everyday nationalism are observed in Moldova, but even this is not that widespread. Our citizenship and language laws have undergone the corresponding inspection in international institutions and have been deemed to be perfectly acceptable. An attempt to play on the anti-Russian mood in Moldova is manifestly doomed to fail, therefore.

[Perushkin] How, in your opinion, is the presence of the 14th Army in the Dniester region influencing the situation in the region?

[Taranu] Our position here is quite categorical. We insist on its withdrawal from the republic before 1 July 1994. Many people are saying that were it not for the 14th Army, the war between Moldova and the Dniester region would still be going on. Maybe so. But the situation is aggravated by the fact that the 14th Army did not strictly maintain its neutrality throughout the conflict. Materially, politically, and militarily it supported the policy of the Dniester leaders.

[Perushkin] A compromise between Moldova and the Dniester region has not, by all accounts, been found. Might not the war begin once again as soon as the 14th Army withdraws?

[Taranu] I believe not, although the possibility of the resumption of the military conflict cannot be ruled out in principle. The events of the first half of 1992 were a stunning lesson for Chisinau politicians. Even the most unbridled among them realized that the problem of the Dniester region cannot be resolved with an assault rifle.

[Perushkin] But what, then, will happen? Moldova's politicians have recognized that this matter cannot be resolved militarily, but the leaders of the Dniester region will not negotiate until the Dniester region acquires republic status.

[Taranu] Compromise is needed. But solving these questions with the present leaders of the Dniester region is quite difficult. There has to be a change of policy signboards there. Whereas this has already happened in Chisinau, everything on the left bank remains at the 1991 level. We are prepared to solve the question with the corresponding status of the Dniester region within the framework of Moldova. This status would afford an opportunity to remedy the postwar syndrome, and people could in time recognize that they are all citizens of Moldova. But today's leaders of the Dniester region will never agree to this. And one of the main reasons is the fear of losing the benefits and power that they have today.

[Perushkin] You maintain that there is in the Dniester region today a strict totalitarian regime not allowing of different viewpoints. Where are the guarantees that Moldova's policy will be different?

[Taranu] You read our newspapers, what they write about President Snegur. The level of freedom of the press is very high. Even too high, what is more, I would prefer our journalists and politicians to express their views in more civilized fashion. Their opportunity to express their viewpoint is indisputable. There is none of this in the Dniester region. The only person who can permit himself to speak is General Lebed. But it is hard to argue with him: He is backed by tanks.

#### Party Election Activities Digest

944K0556A Chisinau NEZAVISIMAYA MOLDOVA  
in Russian 8 Dec 93 pp 1-2

[Article by the political department under the rubric "Press Digest. Elections-94": "Right, Left—Which Side?"]

[Text] The weekly TSARA published in its 23 November issue a report from the press bureau of the Khynshet division of the KhDNF [Christian Democratic People's Front]. It says:

"On 17 November the chairman of the Khynshet Ispolkom [executive committee], Ion Donica, called together a limited number of individuals with leadership (and influential) functions in the rayon and also leaders of a number of villages and called for them to do everything within their power along with their relatives, loved ones, friends, and subordinates to block the Alliance of the KhDNF in this campaign.

Following the example of the rayon "head," the village mayor Mindzhir, a lawyer by profession, in violation of Article 14 of the Law on Elections to Parliament, arbitrarily, without convening a village council for this purpose, formed local electoral commissions which included a good part of the brigade leaders of the farms—the most conservative elements, including the last secretary of the local party organization. On 18 November early in the morning, at a meeting of workers of the Mindzhir agricultural firm, he made public a list of members of precinct electoral commissions. When the violation of the Law on Elections to Parliament was pointed out to him, the mayor responded that the workers of the agricultural firm had been informed of them by way of a discussion.

Violations of this kind were committed by the mayor of the village of Serata Galbene as well.

The same newspaper printed an article by the candidate from the Alliance KhDNF electoral block, Eugeniu Garla. The author presents the main aspects of Moldovan-Romanian integration: The strategic basis of economic integration of the Republic of Moldova and Romania is the existence of a common economic space, which will provide for: free movement of the work force, capital, goods, and services; functioning of the financial-currency complex because of the unification of financial-currency, tax, banking, pricing, and rate system; and simultaneous implementation of economic reforms and joint implementation of the economic and social policy.

The achievement of this goal will create the conditions for stable development of the economies of the two Romanian states based on market relations.

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The chairman of the Democratic Labor Party, Aleksandr Arseni, also thinks that "relations with Romania must be strengthened and deepened." This is how he responded to a question from a DELOVAYA GAZETA correspondent:

"We do not think that the Sangheli cabinet has done anything to introduce our country into the world community. Moreover, the leaders of Moldova have an especially kindly attitude toward the CIS. This is the only place where they can see the republic's salvation. They frequently cry on our shoulder and ask for things. But our party thinks that too much significance is being attached to the role of the CIS in the life of Moldova. With a different policy we could quite easily change our economic orientation and achieve success in economic management.

"Unfortunately, the present prime minister of Moldova is not distinguished by his new thinking and is not prepared for this kind of dialogue with the world community. We are looking exclusively to the East. Yet there are people in the republic who have assimilated this thinking. Including in our party. The future is with them!"

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A well-known deputy, a member of the ADPN [Agrarian Democratic Party of Moldova], Nicolae Andronic, granted an interview to the weekly ZEMLYA I LYUDI. Here is how he views the situation that has developed in the republic:

"Of course, I attribute all problems—economic, political, and others—to the fact that we do not now have unity of all political forces regarding the question of statehood. When all political forces are sincerely striving to create and strengthen the independence of one republic or another, when there is understanding of the fact that it is possible to maneuver, it is possible to join one bloc or another and then leave, but the main goal is to preserve independence. Take, for example, the Baltics. Regardless of their leanings—slants—all political parties of the Baltic region have the same center. And this center is independence. It is from here that the spiral develops. But what do we have

here? Some see a panacea in one thing, some in another, and still others in something else. The political forces of the republic are fragmented and dispersed. Some are afraid of strong influence from the East, others—of strong influence from Romania. And all this is solely because of political skirmishes, for the republic's independence is seen by various people and various political parties from various angles."

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A preelection address was delivered by the Socialist Party and the Unity Movement for Equal Rights, who are forming an electoral bloc:

"PRESERVE AND DEVELOP the historically formed COMMON VALUES of our society—interethnic peace and harmony, territorial integrity, fraternal cooperation among people of various nationalities, national public ownership of the land, natural resources, large basic branches of industrial and agricultural production, efficient centralized administration of the national economic complex, mutually advantageous cooperation with all fraternal republics of the former USSR.

"Our most important COMMON VALUE is the MOLDOVAN LANGUAGE and we must do everything possible to make sure that it is voluntarily mastered by all citizens of Moldova. A no less important COMMON VALUE is the bilingualism that has developed, especially in the cities, and extensive use of the RUSSIAN LANGUAGE, which almost all people living in Moldova have mastered.

"Still an indisputable COMMON VALUE is the worker, the person employed in socially useful labor in the spheres of material and nonmaterial production and the sphere of labor itself. Thoughtless, hasty reform in this sphere on the basis of neocapitalistic ideas is a crime.

"An enduring COMMON VALUE has been and will be the history of Moldova, including its Soviet period, which is characterized by rapid, historically unprecedented rates of socioeconomic development, the creation of the industrial and agrarian complexes, and the establishment of its science and systems of education, public health, and culture.

"To RESTORE and DEVELOP these unjustifiably lost COMMON VALUES, and above all those such as full, universal employment without degrading the human dignity of unemployment, which entire generations of workers have not known, a guarantee of job placement for all graduates of schools, vocational and technical schools, and secondary and higher educational institutions, unconditional and effective social protection of pensioners, children, and youth, large families and disabled persons, free education and medical service, legal protection, a state program for housing construction and provision of housing, representation of all social groups in legislative organs at all levels, public monitoring of the activity of the executive power, and elections of judges and people's assessors."



### Spokesman on Church, State Separation

944K0554A Chisinau NEZAVISIMAYA MOLDOVA  
in Russian 4 Dec 93 p 2

[Interview with Georghe Armasu, director of the State Service for Cult Affairs, by Anatol Limanskiy; place and date not given: "Georghe Armasu: 'The Church Is Separate from the State'"]

[Text] President Snegur recently signed an edict on the establishment of the State Service for Cult Affairs. Today we present its director, Georghe Armasu.

[Armasu] I was born into an ordinary peasant family in the village of Tsareuk in Rezinskiy Rayon... I am Moldavian. I have a higher education. I left home at 14 and enrolled in the agricultural technical school. After that, three years in the army. I went through all the stages of the administrative structure from team leader, deputy chairman of a kolkhoz, secretary of the rayon party committee, to the Central Committee of the Communist Party of Moldova. Starting in 1984 I worked as the deputy to the commissioner of the Council for Religious Affairs of the Council of Ministers of the Union for the Moldavian Soviet Socialist Republic. After the elimination of this apparatus—in the secretariat of the parliament of Moldova...

[Limanskiy] For what purpose did the president establish the new government service?

[Armasu] In order not to permit unjustified interference of the state organs in the activity of legally recognized religious organizations. To strengthen control over adherence to legislation on cults. The new state service is a consultative information and expert examination organ...

[Limanskiy] Until recently all these questions were handled by a department under the Ministry of Culture. Should it have been eliminated?

[Armasu] I would put the question in a different way. Was it necessary to unite culture and cults? Well, since you asked—I will answer...

After all, just what is a ministry? It is a state organ that manages and directs institutions and industrial organizations. In our case, the Ministry of Culture and Cults manages not only institutions but the church as well. This is a violation not only of the Constitution of the republic, in which it is written that in Moldova the church is separated from the state and school from the church (Section 50). It is a violation of international acts on human rights and freedoms. The church is supposed to be managed by religious centers that function on the basis of their own regulations and statutes.

The question on the unification of culture and cults arose for the first time in May 1990 at a session of the Moldovan parliament. The staff of the commissioner of the Council on Religious Affairs tried to prevent this. Here is a quote from one of the documents that we sent to the leadership of the republic.

"If the state, i.e., the Ministry of Culture and Cults, manages religions in the SSR [Soviet Socialist Republic] of Moldavia... this, it seems, will be a step backward with respect to the times when the administrative-command system was in operation, or even worse—when religion in the country (moreover, one—Orthodoxy) was declared a

state institution. In the final analysis, this will inevitably lead to a dispute between denominations, between organs of authority and religious organizations, and to a complication of the whole sociopolitical situation in the Moldavian SSR."

Which is what we have today. One of our main tasks is to correct this state of affairs.

[Limanskiy] Judging by everything, do you think that the department for cults was not entirely engaged in what was necessary?

[Armasu] I am not one of those people who claims to have the final word. Let the church and the public first express themselves in this regard. I was not acquainted with Mr. Kubryak, the head of the department, before he was confirmed for the new post. But I know that he is one of the initiators of the revival of the activity of the Metropolitan See of Bessarabia. He directed this process at the state level, openly meddled in the affairs of the Orthodox Church, and undermined its trust in the state.

A trust that our state service should once again win...

[Limanskiy] Relations between the two Orthodox communities, I will say frankly, are strained. What is the reason for the conflict?

[Armasu] There was no conflict and there is none.

[Limanskiy] But what is there?

[Armasu] At the beginning of last year a group of clergymen, headed by His Grace Bishop Peter of Beltsy, decided to revive the activity of the Bessarabian Autonomous Metropolitan See after a 52-year break. On 18 December 1992, together with deputies in parliament and representatives of the Ministry of Culture and Cults, they took part in a meeting of the Holy Synod of the Romanian Patriarchate. The synod approved a so-called resolution of the "eparchial meeting of 14 September 1992 on reviving the activity of the Bessarabian Metropolitan See under the jurisdiction of the Romanian Patriarchate. Bishop Peter became the deputy of this metropolitan see and a member of the Holy Romanian Synod. Such a resolution seems to me to be rather arguable, inasmuch as back on 5 October 1992 Peter was suspended in service... According to canons, another church cannot restore him.

The metropolitan see ceased its activity in 1940, and since that time a lot has changed. There is no Romanian kingdom, no Moldavian SSR, and no Chisinau eparchy, but there is the Moldovan Metropolitan See, whose charter was officially registered by the government on 3 November 1993.

Although our service was established recently, we have already started talks on the peaceful settlement of problems. We are now studying archival documents concerning the organization and activity of the Bessarabian Metropolitan See, and we are proposing to examine them: There is now a critical question concerning property, inasmuch as the churches of Bessarabia were at different times under the jurisdiction of three churches—Ecumenical, Romanian, and Russian...

Only it is not necessary to rush, and it is not necessary to urge us on. The situation has to be studied well in the localities, and the leadership of the republic must be kept reliably informed.

[Limanskiy] In your opinion, will the religious communities have any kind of influence on the course of the coming parliamentary elections?

[Armasu] The communities are already quite politicized. And this is what they have come to. The church is a holy place, where people find peace, offer prayers to God, and enrich themselves spiritually. The priests hear the confessions of the people and forgive them their sins—and everyone needs this—the supporters of the people's front, and the socialists, and the communists.

[Limanskiy] Well, very soon new deputies will come to power, really the people's representatives. Does the Law on Cults require any kinds of changes?

[Armasu] Undoubtedly. The first article requires considerable revision—it denies the right to choose and to switch to another faith (proselytism). Articles 14 and 15 state that for recognition, cults "are required to submit their charter to the government." Some of the provisions of the law do not comply with international human rights and principles.

I think that we will prepare additions and changes to the Law on Cults in the very near future...

Availing myself of this opportunity, I want through your newspaper to call on all believers and leaders of religious organizations in these difficult times to maintain tranquility, not engage in disputes, and resolve all questions peacefully.

### Minister Outlines State of Agriculture

944K0555A Chisinau NEZAVISIMAYA MOLDOVA  
in Russian 8 Dec 93 p 2

[Interview with V. Gorincioi, minister of agriculture and food of the Republic of Moldova, by Yu. Khudoley; place and date not given; published under the rubric "Interview at the End of the Year": "The Market Breaks Down Stereotypes"]

[Text]

[Khudoley] If you do not object, Vitalie Vasilevich, let us begin our discussion with the results of the agricultural year. After all, no matter what happens, the food complex is the sphere of material production in whose situation everyone without exception is interested. The more so during our difficult and complicated times, and on the threshold of winter at that.

True, reports and comments about this appear in the mass media from time to time. But these have all been fragmentary, scattered information, although even from this it is clear that the preliminary prognosis was not fully justified. Is this true? Our readers would like to know about this, as it were, first hand...

[Gorincioi] Indeed, there were quite a few optimistic predictions during the spring and summer. But most frequently they did not come from agrarians and certainly not from our ministry. Both traditional peasant customs and the unpredictability of production out under the open

sky make it impossible for a serious agrarian to give out easy promises. So there is no need to ascribe others' sins to us, we have enough of our own.

If there is something for which many of us can be reproached, it is the habit of looking for reasons why the results promised by the politicians were not achieved. Most often we blame the unkindness of nature. In this case that would not be altogether true. Of course, in the spring there are always strong rains that wash away part of the planted areas, and during the summer—hail in the first half and drought in the second. But on the whole the year was not that bad. Especially for the good farms.

The problems were on a different plane. Above all there was the poor supply of fuel, mineral fertilizers, means of plant protection, and containers.

But, I repeat, looking at the larger picture, the year was favorable. And the results were generally not bad. Take just the indicators of the first grain harvesting. More than 42 quintals of high-quality wheat grain per hectare—Moldova has never had such a yield before. And it was on a larger area than usual.

According to preliminary calculations, the gross grain yield from all categories of farms, that is, including private, will be about 3 million tonnes.

Will this be sufficient or not? Of course, having learned from last year's bitter experience when because of the drought the livestock experienced a critical shortage of manufactured feed concentrates during wintering, many owners have been storing up grain. Nonetheless, more than 400,000 tonnes have been sold to the state. State procurements would probably have been greater if the banks had been able to allot sufficient credit resources.

But the main thing is that the population has bread to eat. Thus the kolkhoz and sovkhoz workers alone have been issued about a million tonnes of grain in the form of in-kind payments and preferential sales. In many villages, particularly in Drokiyevskiy Rayon, agricultural enterprises have extended this benefit to pensioners, teachers, and medical workers as well.

But although grain may be on everybody's mind, man needs many other things as well. For instance, the peasants have tried to give the food industry all the raw material it needed. In spite of the fact that, as I have already said, the rains eroded a considerable area planted in sugar beets, the productivity of this crop is fairly high. The quantity of sugar beets processed this season will be 1.8 million tonnes. This means that the output of sugar will reach 210,000-215,000 tonnes. Half of this what they call strategic product will be taken into state resources. It is intended for sale to the population at fixed prices and also for hospitals and other closed institutions.

As for other agricultural crops, the results have varied here too. For sunflower seeds, say, the indicator is mediocre. In any case the yield was lower than was expected in the spring and the beginning of the summer. Nonetheless we managed to grow them and harvest 185,000 tonnes of this oil-bearing raw material.

True, the agricultural enterprises have had to keep most of these agricultural products, since the processors do not have the credit resources to buy them.

Incidentally, it is only in our country that until recently the state has tried to buy up all the agricultural products from the farmers all at once and at any price. And procurement prices for them have been established at the very beginning of the harvest. Experts from the International Monetary Fund and other European organizations do not conceal their surprise at this.

Incidentally, at first glance such a procurement system seems advantageous to the agricultural enterprises since they can immediately obtain large sums of money. But in reality, under conditions of inflation and late settlements, the agricultural enterprises only stand to lose. There is no doubt that today it is more expedient to have stage-by-stage sale of products in batches with the corresponding price regulation. For instance, for sunflower seeds the sizes of the procured batches are determined by the monthly productivity of the processing enterprises.

With such a system of credit resources in the first stage it was necessary to purchase only 35,000 tonnes of raw material, and the rest of the batches of it were acquired with earnings from the sale of the oil.

This summer the farmers' concern about difficulties with the harvest and the sale of the fruit and vegetable crops has frequently shown through in the newspapers. True, the gross yield of these products is not a record, but there have indeed been additional problems with them.

It would seem that the demand for fresh fruits should increase. Because perhaps for the first time Moldovan orchard growers have managed to obtain an intensive type of almost ecologically pure fruits in their planted areas.

Nonetheless, there were frequent cases where our traditional customers refused our fruit last year. Incidentally, more and more frequently the suppliers themselves have been forced to reject partnership with nearby foreign countries. The main reason is the excessively high rates for rail transportation: It costs one-half to one-third as much to buy a kilogram of apples as it does to ship them to the Urals. And so it has turned out that of the 750,000 tonnes of fruit that were harvested, less than one-third was delivered fresh, and the rest of it was processed at our own enterprises.

Of course, this is not the best solution, but there simply was no other. True, the demand for dried fruits was good, but they are an even more energy-intensive product than the preserves and compotes. Since the beginning of the year canners have produced more than 1 billion conventional containers of products, and by the end of December the output will exceed 20-25 percent of the level of any past year.

And this is under conditions with an extremely critical shortage of energy and material resources. After all, not all the banks followed precisely the parliament's decree on granting credit to agricultural enterprises for acquiring containers, and the canning plants—for buying glass jars, lids, and so forth.

Grape and tobacco growers were counting on hefty incomes this year. But industry was able to accept from grape growers only half a million tonnes of their products. The rest—about

200,000 tonnes—was sold to the population or turned over for processing to be returned to the suppliers later, thus partially eliminating the immense interest on credit. Incidentally, grape growers cannot count on anything even for the raw material that has been shipped: So far the agricultural enterprises have been paid only 15 million lei. They are promising to repay their debt of 45 million as they receive their earnings from the wine that is sold.

The shortage of credit resources drove the tobacco growers into a corner as well. Agricultural enterprises grew about 50,000 tonnes of dried leaves and are gradually selling them, but the specialized association is first paying for 15,000 tonnes for the tobacco combine and then 10,000 tonnes to be exchanged for grades that are in short supply for cigarette production. The rest of the raw material is being processed, and as customers are found, the money is returned to the farms.

[Khudoley] So even in the autumn the agricultural enterprises, leaseholders, and farmers did not get especially rich.

[Gorincioi] If you keep in mind that under current conditions settlements for raw material are made not in advance but as the final products are sold, of course, immense one-time receipts of money into the accounts of the farms are not to be anticipated. But still the deficit of credit resources has ultimately worked to their advantage. If the old practice continues, neither the agro-industrial complex nor, above all, the processing branch will ever be able to get out of debt to the banks, with their enormous interest rates on credit which erode incomes and make products more costly. It is important to get away from intermediate credit at any price. With the creation on the basis of the processing enterprises of joint-stock companies involving the participation of agricultural enterprises, one must assume that this need will fall away. But the situation requires that we reduce the use of bank credit to a minimum even today.

Understandably, it is difficult to break old traditions, including the procurement mechanism that has been established, but there is no other way. What kind of effectiveness can there be if, for example, the agricultural enterprises ship grain to the elevators during July-August and are not paid for it until the beginning of November!

And such delays have become a part of the system. So it is better to switch to stage-by-stage procurements with revised prices for raw material.

To a certain extent the mechanism for procuring animal husbandry products is like this, and the ministry is making sure that it is strictly observed. In a number of cases it has even been necessary to resort to such a measure as suspending the issuance of wages to those processing enterprises that do not pay for their raw material for a long time.

It seems that in time the contractual-financial discipline of the partners will straighten out. But the situation is indeed critical within the animal husbandry branch itself. It has set the goal of producing 800,000 tonnes of milk per year, but from all appearances it will produce no more than half a million. The public sector of agriculture will produce 120,000-130,000 tonnes of meat instead of the earmarked 200,000. True, taking private farms into account, there



will be more of these products. After all, the overall number of head of livestock in the republic has not decreased.

The reasons for the decline are known. Above all, last year's drought took its toll, leaving many farms on a starvation ration. And large complexes were left to the will of fate by farm-shareholders after the administrative-command system, which sustained them during difficult periods, collapsed.

One must assume that these complexes could have adapted to market conditions as well were it not for all kinds of restrictions. In particular, holding down the prices of animal husbandry products did not work to the advantage either of the branch or of the consumers. Regardless of how high they may have been against the background of the low buying power of the majority of the population, expenditures of agricultural enterprises are still not being covered, and there is nothing with which to compensate for the state overexpenditure.

And yet one must keep in mind that the agro-industrial complex, above all animal husbandry, is not working solely for the domestic market. Meat, powdered milk, butter, and so forth are practically the most marketable goods for which we can obtain the energy resources we need so much. For this reason alone we must produce them even at a loss to ourselves.

[Khudoley] Judging from the reports from agricultural enterprises, perhaps this is the first time so many of them have kept up with the fall complex of field work....

[Gorincioi] It would be more correct to say this: We are speaking for the first time about the adversities suffered by the peasants. We said nothing when the sugar beets were delivered to the plants several months after they had shut down, when the corn was processed in the fields, when thousands of hectares of vineyards with unharvested grapes were covered with snow, or when areas planted in tomatoes and table beets were left to freeze.

Unfortunately, we have not managed to avoid losses now either. About 1,400 hectares of sugar beets and almost 3,000 hectares of corn suffered from severe frosts. But if there is hope of saving these products (in particular, the harvesting of corn has not ceased for a single hour), it is impossible to save frozen fruits. The only thing they might be used for is jam.

But the most alarming thing is that 200,000 hectares of land on agricultural enterprises and about 80,000 hectares turned over to private possession of the peasants under Article 82 of the Land Code went unplowed. There are also farmstead plots that need to be plowed.

This happened because initially there was no fuel or lubricants, and then severe frosts struck unexpectedly at the beginning of November.

Now the fuel necessary to complete the plowing has been shipped in. There is also technical equipment. If there are "windows of time in winter" (and they are not a rarity in our region), we will be able to finish this work in 10-15 days. In any case, that is what the machine operators think. For, be that as it may, land plowed poorly in the fall is better than land plowed well in the spring.

It is especially important to do this work more quickly in the southern zone, where there are frequent dry winds in the spring and the only way of counteracting them is to plant in such a way that the plants have already developed roots and become strong by this time.

[Khudoley] Is it not too early for the state to abandon its concern about resource support for the farms? Does the ministry have an effective alternative that would make it possible to ensure their normal functioning? Or does everyone have to fend for himself?

[Gorincioi] Indeed, when encountering the shortages and the high cost of fuel on the market, many agrarians more and more frequently ask the question: What next? If the fuel problem is exacerbated so much, will there be a need for technical equipment, which becomes more difficult to restore each season? Is there any point in expending so much money and food in order to start running hundreds of thousands of motors in the fields, farms, and orchards?

If anyone is interested in my opinion, it is simple. If a person assumes that today it is possible to work the land without machine technology, he is deeply deluded. That would mean failure. Of course, it is useful to keep horses and oxen. But you will not plow very quickly or very well with this kind of power, and in general you will not receive a good harvest.

Therefore it is necessary to look in a different direction for a way out of the crisis—namely in modern technologies and the latest achievements of scientific and technical progress. On each agricultural enterprise and in the republic as a whole we must decide right now what we will do next year. Which structure of the planted areas will be most expedient? What should we grow in order both to satisfy the domestic market and to earn good money by selling products abroad? Even today we must know precisely what to sell and where and how to sell it.

Incidentally, we must spend intelligently as well. As for the major expenditure item, it is energy sources, as usual. They cost Moldova almost \$600 million, and the agro-industrial complex can and does provide the lion's share of these funds.

But still, it is time to utilize these resources efficiently and move from slogans about economizing to practice. I have in mind not only guarantees against all kinds of losses but also a combination, especially on small farms, of modern machines and mini-equipment and horses. In many operations it is impossible to do without manual labor. But on most of the areas we must continue to rely on mechanization, chemization, and land reclamation.

[Khudoley] What is your assessment of the agrarian reform in Moldova? How accurate are the suggestions from experts of the European Community regarding the mechanism for economic reforms in your branch?

[Gorincioi] Reforms in agro-economics are not simply mechanical redistribution of the land. Their meaning lies in completely different relations between the sphere of production of raw material and the sphere of its processing, between the producer and the state. Completely different relations are required today within the former kolkhozes and sovkhoses as well.

In a word, the purpose of the reforms is by no means to divide up collective or state wealth and drag it off into our own little corn bins and then rejoice in such "innovation." We need a reform that will provide for increased production and high labor compensation. And it is possible to interest the peasant in efficient management only if he feels that he is working for himself.

That is, as it were, the internal side of the reforms that are taking place. But today it is apparently not without reason that we are asked this question: "What are you doing in order to enter a qualitatively different orbit of relations with the West?" For now we must admit that only the first steps are being taken on this plane. They come to us from there with one goal in mind—to earn more. And they will really cooperate with us when they see us as equal partners with good intentions and good potential.

But there has been a breakthrough in the creation of joint ventures. In particular, in the sphere of meat production and processing, where there will be an entire group of these productions with the participation of American capital. One of them is already being formed in Oknitskiy Rayon. A protocol of intentions has been signed. In grape growing and wine making, common interests with Dutch, British, German, and other firms have been discovered. There are proposals for joint production and processing of tobacco from an Australian firm, but its conditions (it demands 51 percent of the authorized capital for itself) do not suit us. We are working on the question of building a glass bottle plant which will be financed both by enterprises of the republic and foreign banks. This plant is extremely necessary. But when accepting assistance we must remember that it will be necessary to pay for it....

Incidentally, the special demand of producers of energy sources for animal husbandry products forces agricultural enterprises and organs of local self-government to revise their attitude toward complexes.

People can say to me that this initiative must come from the ministry or even from the government. But most

frequently that is what happens; we are convinced of this by the special-purpose allotment of preferential credit and taxation, the writing off of debts on credit, subsidies, etc. It is another matter, apparently, that we should not disperse this assistance but concentrate it in the leading areas and positions. If only to provide goods for the domestic food market.

And in general the initially forced reduction of subsidies and compensations for agriculture brought about by the state budget deficit is also exerting a positive influence. People are gradually breaking the habit of placing their hopes in the state and learning to manage efficiently themselves, taking their capabilities and reserves into account. In a word—doing what a market economy requires. All the plans for technical assistance developed by experts from the European Community are aimed at reforms that provide for a transition to the market. They have now begun to be implemented and this is sensitively reflected in the standard of living of the underprivileged.

In order to weaken the negative consequences, the government is trying to take advantage of every opportunity to strengthen the social protection of the underprivileged segments of the population. Precisely because the reforms affect these categories of citizens first of all, the government is forced to be extremely cautious in implementing them.

Throughout this winter (during the summer and autumn the peasants were not up to reorganizing) we suggest taking the fundamental measures of agrarian reform. We have already begun to transform the kolkhozes and sovkhozes that wish to create independent peasant farms. We are also prepared to integrate the production of raw material with processing in joint-stock companies.

Under modern conditions the ministry's role has also changed from what it was when it mainly distributed funds. We see our task in implementing the corresponding section of the government program for bringing the economy out of its crisis.

## ESTONIA

## Industry Growth For '93 Reviewed

944K0518A Tallinn ARIPAEV No 7, in Estonian  
1 Dec 93 p 8

[Article by Kaarel Kilvits, Economic Institute of the Academy of Sciences: "Structural Crisis In Estonia's Industry"]

[Text]

The structure of the industry that had (been) developed by the year of 1989 did not correspond to the needs of Estonia after it had regained its independence. The central authority of the Soviet Union had, in all possible ways, reduced the importance of the union republic as a whole. Through trade ministry control, specialization to the point of absurdity, extending contacts for cooperation, location of production, acquisition of raw materials, and other such measures, all were made dependent on everyone else.

This meant dismantling most of the previously existing structures, and interrupting the natural self-regulation of the economy. In essence, Estonian industry was nothing more than a collection of enterprises located within its territory.

Thanks to the very large market of the Soviet Union, as a relatively closed system, its enormous natural resources, and its deficit economy, the industry did not have to contend with world competition. And thanks to a price structure that was absurd, artificial, and radically different

from the rest of the world (unjustifiably low prices of energy carriers, raw materials, etc.), a predominantly resource- energy- and transport-intensive industry was created, that produced primarily low-quality goods.

As a prerequisite for reaching a realistic level of political and economic independence, Estonia saw the need for considerably reducing its economic dependence on Russia, and for reorienting itself to the Western market. Actually, these steps were as inevitable as they were necessary. There was no choice in the matter. The Eastern market had, by that time, become less important and less secure.

Industrial enterprises that had previously produced goods for the Eastern market, according to plans approved in Moscow, were now caught up in entirely new circumstances. When previously, industrial management teams only had production, technical and supply problems to cope with, then now the basic question was: What should be produced and for what market?

Many clear thinking economists and industrial leaders realized that—as sad as it may be—there is no way of reforming the industry smoothly and painlessly. Instead, they conceded, the existing industry may collapse, and a new one emerge in its place.

And that is what happened. Back in 1990 and 1991, production volumes dropped considerably, and in 1992, the real structural crisis started. I want to emphasize, once again, that this was a completely logical development. All the post-socialist countries have experienced a decline in production, none of them have been able to avoid it.

Dynamics of Industrial Growth for 10 Months of 1993, by Production Areas

Sector	Growth Rate (percent), compared to same period of previous year					
	at comparable prices			at prevailing prices		
	Three months	Six month	10 months	Three months	Six months	10 months
Providing electricity, gas, steam and hot water	80.8	72.6	72.0	504.7	187.0	125.3
Mining	79.3	74.6	76.7	237.6	154.8	142.5
including peat production	46.7	57.1	72.9	122.8	136.1	149.1
Oil shale mining	86.4	78.2	78.2	289.1	175.5	151.6
Industry (processing) total	55.1	63.9	68.6	138.5	128.3	119.7
Food and beverage production	80.6	87.6	85.4	217.7	193.2	160.9
including meat and meat products	91.4	90.3	76.6	212.4	200.9	160.6
fish and fish products	96.1	106.6	101.9	119.6	126.2	116.3
dairy products	67.7	77.1	84.2	155.3	162.7	146.9
flour and cereals	31.2	38.2	37.8	353.5	271.6	203.9
animal feed	71.7	70.3	70.4	445.7	286.9	215.9
bakery goods	76.4	79.4	77.7	366.3	284.0	234.9
beverages	86.5	120.8	125.5	366.4	236.1	173.0
Tobacco products	192.1		158.2	489.3		223.3
Textile industry	27.3	35.7	40.0	69.4	66.3	64.7
Garment production	55.4	59.9	72.1	96.8	99.3	105.3
Leather goods and footwear production	43.3	41.5	48.3	122.6	98.5	85.4
Timber products	37.7	48.0	52.0	97.5	92.7	76.4



**Dynamics of Industrial Growth for 10 Months of 1993, by Production Areas (Continued)**

Sector	Growth Rate (percent), compared to same period of previous year					
	at comparable prices			at prevailing prices		
	Three months	Six month	10 months	Three months	Six months	10 months
Paper and paper products	14.0	18.4	15.5	34.4	29.2	28.6
Publishing, printing, sound recording	104.9	103.6	102.8	453.1	365.2	258.3
Chemicals and chemical products	44.7	50.4	57.1	117.8	95.8	100.4
Rubber and plastic products	27.6	44.2	56.7	77.6	91.6	95.7
Products of non-metallic natural resources	39.2	47.2	58.7	97.9	90.0	101.6
including glass and glass products	81.4	63.8	86.3	162.8	121.9	117.9
Metal products (except machinery and equipment)	29.4	34.1	43.3	74.5	75.0	88.6
Machinery and equipment	47.2	47.3	47.8	152.4	133.3	123.9
Electrical machinery and apparatus	37.0	44.6	53.7	56.0	60.5	66.8
Radio, TV, communications equipment	25.2	34.7	36.4	98.4	129.9	129.5
Precision instruments	27.6	40.0	59.5	67.8	76.8	110.1
Motorized vehicles	118.0	120.5	118.8	184.4	164.6	166.4
Other means of transportation	99.7	96.0	118.2	317.4	217.6	205.5
Furniture and other industrial goods	61.4	71.9	76.3	131.6	124.4	113.9
including furniture	60.2	70.3	75.3	132.4	124.1	112.5
Other		151.2	134.5		293.1	203.7
<b>Industry total</b>	<b>60.2</b>	<b>65.3</b>	<b>69.2</b>	<b>167.9</b>	<b>134.2</b>	<b>121.1</b>

**All Governments Have Been Getting Involved**

Perceiving and understanding the underlying laws of economic and social development, does not necessarily mean that the government, industrial leaders and economists rely on self-regulation, follow the development of the industry passively, and let things take their course.

Quite to the contrary. All governments have been rather active in getting involved in the industry of the transition period. Maybe even too active, for the taste of some political forces and economists.

The structural crisis of the industry is continuing during 1993. The production volume for the first nine months of the year (at comparable prices) was down by 32.4 percent, compared to the same period last year. September's volume of industrial production (at comparable prices) was down 19.2 percent, compared to September of last year.

The decline of industry has been enormous, of course. The output of many of the products has been reduced several times, while production of some goods has stopped entirely. The problems are many, of course, but there is no need to over-dramatize the situation. Starting with March of 1992, one can see that the industry is beginning to stabilize. Stabilization, in this case, does not mean restoring the previous production levels aimed at the Eastern market, but stopping the decline in production and finding (or formulating) an industrial structure appropriate for Estonia.

**Industrial Production Growing**

Since March of this year (except for the massive vacation months of July and August), industrial production at comparable prices has been growing. During the first eight months, proceeds from corporate income tax amounted to 93.2 percent of the budgeted total for 1993. This not only points to increased economic activity, but also to the fact that the economy is picking up faster than was expected at the time the budget was approved.

Estonia's economy has been able to reorient itself to the Western market. When, in 1989, close to 97 percent of the trade was done with the Soviet republics then, by the middle of 1993, the share of CIS republics, in both imports and exports, had dwindled to 27 percent. In August of 1993, the CIS share of the total foreign trade volume (exports and imports combined) was 23.9 percent. From that we can conclude that Estonia's dependence on the Eastern market has dropped below the level maintained by Finland during its record years (26 percent).

Thanks to the monetary reform, balanced budget, and following the recommendations of IMF, Estonia has, within a short period of time, become a country worthy of investments, and has indeed attracted considerable amounts of foreign capital.

**Bankruptcies Are Inevitable**

There are many small businesses developing fast. As of October 15, 1993, a total of 7,434 companies were registered under Estonia's processing industry. Out of that number, roughly 4,000 are actually operating, half of them

with 20 or more employees. Even that is not a small number, compared to earlier counts.

One fifth out of roughly 300 big enterprises have also managed to find their place under new economic and political circumstances. They have not reduced their production, compared to last year's. It is hoped that most of the companies still struggling with hardship will soon find their place in the new economic system—many of them after privatization. Some industrial enterprises, however, will inevitably go bankrupt. They will be either liquidated, refinanced, or reorganized. It would be impossible to save all of the production facilities that were put up at one time to encourage migration, supply the Eastern market, or simply to the greater glory of the system, even with the best of intentions and the most ingenious of industrial policies.

Comparing Estonia's 'economic miracle' to that of other post-socialist countries, one can say that Estonia's industry came through this confusing time and situation with sustainable losses. The IMF, the World Bank, EBRD, government leaders of other states, and known economists speak of the success of our current reforms, setting them up as models for the other states. Western diplomats and journalists have been using the term 'Estonia's economic miracle' with increasing frequency. It is most rewarding to hear all that. At the same time we know that there are still many problems yet to be solved, and in many of the sectors production is declining to this day. Of particular concern is the politically over-heated Northeast Estonia, that is of no interest to foreign investors, and where it is hard to develop private enterprise. Development, here, is hampered by lack of capital and by incomplete legislation.

#### Ownership Issue Is Key Problem

If we had not made so many mistakes, hesitated, dawdled, and lost time, we would have been further along by now. But the breakthrough has already taken place. Development has become irreversible. The structure of the industry has already changed to some extent, and conditions have been created for further development. As things stand now, not only are the old jobs disappearing, but new ones are sprouting up in their place.

Estonia's strategic goal can only be the creation of a industry capable of export, and joining the European Community (the first stage obviously being a free trade agreement). State allocations for structural policies to implement these goals are very limited. This is why it was decided to privatize most of the work. Everything that can be done using private capital, should be done using private capital.

A sensible and, if possible, rapid solution of ownership issues is at the heart of industrial development. Once this problem is solved successfully, conditions will be created for solving all other problems and also for a general economic upturn.

#### Economics Minister Cites Benefits of Trade With Russia

944K0529A Moscow PRAVDA in Russian 5 Jan 94 p 2

[Article by Lembit Annus, correspondent: "It's Advantageous To Trade With Russia: Estonian Ministry of Economics Makes a Discovery"]

[Text] Economics Minister Toomas Sildmae has given a flattering assessment of this past year's results. He particularly emphasized the fact that "just during the last few months of last year the indicator of the Gross Domestic Product rose for the first time in a long time. And its growth has now become quite marked. The authoritative prestige of the Estonian economy has become stronger, and—in comparison with our Eastern neighbor—it is now in a more advantageous, winning position. The volume of services within the GDP [Gross Domestic Product] has just about reached 50 percent of the total, and—according to this indicator—our republic will soon reach that level (55 percent), which is present in the developed countries."

The minister noted the "increased role played by the ministry in formulating the Estonian state's economic policy." By way of affirming this, Sildmae cited the one statistic which—in the opinion of that great wheeler-dealer, Ostap Bender—means everything. "Today our ministry has jurisdiction over more than two-thirds of the state enterprises which—just during the first nine months of this past year—produced more than 5 billion Estonia kroon (one kroon now equals 91.63 Russian rubles). These enterprises acquired profits of 100 million kroon."

Of course, not everything is so cloudless under the Estonian sun. Just as before, the situation in the Russian-speaking northeastern part of the country is still causing headaches. In Narva, for example, one out of every five city-dwellers is entering upon the new year as an unemployed person. It was here that the Estonian government just barely managed to avert a mass street demonstration on New Year's by allocating to the employees of the Baltiyets Plant 2 million kroon as partial payment of the wages which they have not been receiving since autumn. But this is merely a drop in the bucket if we take into account the fact that this plant owes its own collective some 8.5 million kroon. Moreover, some of the workers here have already been unemployed for a long time, whereas no end to privatization is in sight. Therefore, we cannot agree with the minister's conclusion to the effect that the "situation in the northeastern portion of this republic remains complicated." It is not only complicated, but also totally explosive.

"As of now, our ministry's relationship to this region is that of a fire brigade, whereas the enterprises have turned out to be helpless in handling their own affairs. But we can help only those who want to help themselves." Such was the philosophical conclusion in the reply to my question directed at the Estonian economics minister.

It is indisputable that Mr. Minister is correct in his opinions. But I am still disturbed by the thought that in Narva work even at the once leading Krenholm'ska Manufacturing Combine has now—as the saying goes—dwindled down to a trickle. Here one cutback has followed another in an unending stream. And even those persons still working here are doing so only half-time. Could it be that the reason for this lies in the dismissal of the director, Gennadiy Klushin?

The ministry views the principal tasks of 1994 as continuing the economic policy of open doors, as well as solving the problems of the agrarian sector. Also included among the top-priority tasks are continuing talks with

Russia and the European Community, increasing export potentials, and solving the problem of property ownership. In this connect, we cannot fail to note the fact that trade with Russia has been given one of the top priorities for the new year. But that means that political policy and economic policy have each been assigned their own separate places. And it turns out that it is not only inevitable to trade with Russia, but even advantageous to do so. The only regret is that this truth is only beginning to be realized now—at a time when many economic ties with Russia have already been irreversibly disrupted.

### Foreign Minister Discusses CIS, Relations With Neighbors

944K0538A Moscow VEK in Russian No 50,  
24-29 Dec 93 p 4

[Article by Vladimir Vedrashko, special correspondent: "Ashgabat's Special Position"]

[Text] A meeting of the CIS state leaders was scheduled for 23-24 December in Ashgabat.

Your VEK correspondent, who had been in Turkmenistan for several days prior to the Ashgabat Meeting, had a conversation with Turkmenistan's minister of foreign affairs, Khalykberdi Atayev.

"Our republic does indeed take a special position among the CIS countries," the minister said. "We regard the Commonwealth as a consultative instrument, lacking in any rigid administrative organs. We consider that the CIS should facilitate the development of bilateral relations between the members of this organization. During the initial period many people did not understand us, seeing in our position a desire to isolate ourselves, to depart from the principles of uniting the states involved. However, Turkmenistan's president, Saparmurad Niyazov, maintains a different opinion. He advocates the uniting of states on the basis of full sovereignty and the development of bilateral relations. Therefore, our state did not sign the CIS Charter in Minsk, nor did it join the economic union. We assume that Turkmenistan will be able to join this organization in the capacity of an associate member."

"Practical experience has shown that decisions adopted at the CIS level are not carried out in the necessary manner. Moreover, these decisions do not facilitate businesslike cooperation among the states involved. But bilateral decisions—in contrast—clearly presuppose mutual obligations which must be carried out. Such a position taken by Turkmenistan has found understanding and support from a number of CIS states."

Khalykberdi Atayev went on to explain his state's position with regard to the conflict in Tajikistan:

"When the matter arose of the need to create a joint troop force in order to safeguard the Tajik border and to maintain order in Tajikistan itself, Kazakhstan and Russia appealed to us on this matter. Our president declared that he would not send a single Turkmen soldier into Tajikistan and would not intervene in this conflict. He posed the question as follows: Who would the Turkmen soldiers fight against in Tajikistan? The Tajik oppositionists had possibly crossed the border from Afghanistan and were receiving support from certain Afghan groups. However,

the Kabul government immediately declared that it had nothing at all to do with this. But within Tajikistan itself complications and confrontations have taken place resulting from clashes between various factions struggling for power. In such a situation—just whom would the Turkmen troops be fighting against? We have stated that Tajikistan must solve its own internal problems by itself by means of talks among the conflicting parties and by means of strengthening the power structures within that country. Our participation in this matter could consist of providing humanitarian assistance to the suffering population."

Turning to economic problems, the foreign minister noted that at the present time some 11 billion cubic meters of gas annually pass through Russian territory on their way to the West. However, by way of seeking its own, independent egress to foreign markets, Turkmenistan is actively carrying on preliminary talks with regard to constructing a gas pipeline through the northern part of Iran and Turkey—to Europe. As the minister noted, his country could export 10-15 billion cubic meters of gas to Turkey, whereas it it could send 30 billion to Europe. The explored gas reserves in Turkmenistan amount to 13 trillion cubic meters. Proposals are now under study for laying gas pipelines to China's eastern shore and to Pakistan. Other large-scale projects are also being studied, in particular, in the field of international railroad transportation.

### Warehousing Attracts Foreign Capital

944K0519A Tallinn ARIPAEV in Estonian No 136,  
1 Dec 93 p 2

[Article by Karmo Kaas: "Warehousing Services Attract Foreign Capital to Estonia"]

[Text]

At its yesterday's session the government approved, in principle, the formation of AS Keemia Vahendus, a joint stock company with foreign capital participation for handling chemicals, which will be dealing with the warehousing and reloading of chemical products being shipped between Russia and the Western states.

The mission of AS Keemia Vahendus would be to warehouse chemical products coming from Russia and other CIS states, utilizing the facilities of the centrally located and currently unused Maardu warehouse base, and forwarding them to different states of Western Europe, United States or Canada. The company also offers reloading services for goods bound for Russia and other CIS states, along with the option of transfer into different containers.

### Joint Stock Company Has Five Part-Owners

The owners of the joint stock company being formed are RAS [State Joint Stock Company] Kommer and AS [Joint Stock Company] DAK from Estonia, RAS Gammahim from Russia, production concern Orgsintes from Tatarstan, and the Swiss firm of Sober Handels AV. RAS Kommer participates with a 884 square meter storage facility, and shares are distributed evenly between all participating owners. RAS Gammahim and production concern Orgsintes have complete control over the export



of their country's chemical production, and the Swiss participant has been a cooperation partner with Russia for some time.

Azril Bernovski, executive director of RAS Kommer, told in his interview to ARIUUDISED yesterday that the geographical positioning of Tallinn's commercial ports is optimal for implementing the above-mentioned business plan, and that the warehousing and reloading services offered are backed by a sufficient demand from Russia as well as the Western states.

#### **Estonia Will Profit From the Venture**

The state of Estonia should, according to calculations, profit from this venture by having the use of Keemia Vahendus services at preferential rates. The company will enable RAS Kommer to make full use of its now only partially used storage capacity, and also increase the utilization of Estonia's railroads, Tallinn port facilities and other facilities not being used to their full potential. By doing this, Keemia Vahendus is hoping to help reduce unemployment. Formation of the company will be creating 55 jobs directly.

#### **The Venture To Pay Off in a Year**

The UN industrial development organization has confirmed the profitability of the venture. According to their estimates, the venture should pay off in one year, and have an annual profitability rating of 72 to 93 percent.

The government did not pass a final resolution on the formation of AS Keemia Vahendus at its yesterday's session, because some details dealing with the formation of the company are yet to be worked out.

#### **Wholesale/Retail Trade Largest Growth Industry**

944K0519B Tallinn ARIPAEV in Estonian No 136,  
1 Dec 93 pp 16-17

[Article by Karmo Kaas: "Estonian Entrepreneurs Like Trading"]

[Text]

**At the moment, trading is indisputably the most popular field of activity. Three quarters of the companies entered in the business registry show wholesale and retail sales as their principal activity. At the same time, state- and municipally-owned commercial enterprises account for only 14 percent of the total business volume.**

Leev Kuum, leading scientist at the Estonian Institute of Economic Forecasting said that, in the retail sector, the sales volume has been increasing significantly since March of this year, and that in August, the retail volume was up 33 percent, compared to January. Preliminary statistical data of the Bureau of Statistics shows that the volume of commerce for the first nine months of this year amounted to 4.89 billion kroons. Kuum attributed the increase in the retail volume to a 70 to 80 percent increase in the purchasing power of consumers.

He added that despite the increase in the number of stores, resulting in increased competition, most of the commercial enterprises consider the market outlook to be satisfactory. Also increasing, for the second quarter now, is the number of stores planning to improve their finances, as sales gain

momentum. This also indicates that the ability of the merchants to trade has been increasing right along with the growth of commerce.

Kuum said that the organizational development of Estonia's retail trade is still in its initial stages. By now, one is beginning to see the first signs of store mergers to form chains or consolidate ownership. Most mergers of stores into chains will probably be based on a common source of supply.

#### **Wholesalers Offer a Limited Selection**

Raivo Kütt, commercial director of the Central Alliance of Estonian Consumer Unions (ETK), estimates that most of the wholesalers are dealing with food items, as food items also make up 90 percent of the retail market.

Data on the volume of retail sales within the ETK system shows, however, that the share of manufactured goods is increasing within that volume. Kütt said that, in January, manufactured goods made up 23 percent of the total volume, by now this share is up to 30 percent. In the future, the share of manufactured goods should remain below 35 percent of the total trade volume for Estonia as a whole.

Leev Kuum maintained that the share of manufactured goods in the total sales volume is increasing, especially in the case of garments. This is caused by the higher income level of residents enabling them to spend some of it on updating their wardrobes, something that was not happening immediately after the monetary reform.

Besides, most of the people had not made any wardrobe purchases since 1989 or 1990, and these expenditures became necessary to replace the worn-out garments.

Referring to subjective reports, Raivo Kütt estimated that 80 percent of Estonian wholesalers have a limited selection of goods, and the number of articles offered does not exceed 200. Traditional articles of trade are beverages and confectionery items. Besides, there are also a number of wholesalers specializing in alcohol.

Another observation made by Kütt was that many of the wholesalers deal in imported goods only, ignoring the fact that local products, because of their lower price, are very much in demand.

Leev Kuum added that in the area of increasing the selection of goods, Estonia has a long way to go. Compared to the stores in Poland, for example, Estonia's selection of goods is very conservative, even though Poland has not reached the level of the Western countries yet. Food stores in Estonia carry a selection of close to 1,000 articles, whereas 5,000 is considered to be the norm in the developed countries.

The selection of manufactured goods available in Estonia is even more limited than that of food items. Most of the manufactured goods are imported, mainly because of the price factor, making the purchases more of a chance affair. There are still big gaps in price ranges or shades of color for manufactured goods, and for different sizes in the case of garments. Right now, different items have different combinations of specifications that are not available to the consumer.

"Estonia has made rapid strides, to be sure, towards developing a better selection," Kuum said. "However, there is only so much the wholesalers can do with their limited operating capital."

Raivo Kütt said that many of our trade problems stem from the small size of our market, making it necessary to use middle-men. To deal directly with large producers, we would have to be able to buy goods in much larger quantities than our wholesalers can sell.

#### **ETK Wholesale Volume Increased Five Times**

Raivo Kütt said that the monthly wholesale volume of ETK has gone from 7 million kroons in January of this year to 35 million kroons today. Other major wholesalers have, in his estimation, reached a monthly volume of 10 million kroons.

Buying practice is based largely on direct contact with producers, with the use of middle-men kept to a minimum. Currently, ETK wholesalers are dealing directly with 250 major producers and providers in 18 countries.

Constant supplies available include 1,500 food items and 5,000 manufactured articles.

Kütt said that ETK's direct involvement is limited to wholesale arrangements. The management of retail businesses within the ETK system is in the hands of local consumer unions, while ETK's role in the development of retail businesses consists of cooperation with the local consumer unions.

The wholesale portion of ETK consists of four enterprises: The ETK Purchasing Center, and the Tallinn, Tartu and Võru distribution facilities. During the first half of next year, wholesale companies should combine into one organization under the tentative name of ETK Hulgi [ETK Wholesale]. The entire wholesale business should be set up so that purchasing is based on selection, and distribution handled according to the regional principle.

#### **Chain of Stores Coming to Estonia**

Up until now, there have been 27 different kinds of stores in the ETK system, according to Kütt. As the retail trade is reorganizing itself, six kinds of stores should be left, and planning calls for combining them into different retail chains.

The first to be launched is a chain of stores bearing the name of Edu [Success], the first two of which are scheduled to open before Christmas. Next year, 50 new stores will be added to the chain.

The formation of a chain of stores does not involve building new stores, but rather consolidating the existing ones. Stores belonging to a chain will have the same name, the same layout and selection, an integrated cashier's system, etc.

Edu stores will be located at parish centers, they will each have a 300 square meter sales area, a selection of up to 1,000 items of food and manufactured goods, to cover the primary consumption needs of the people. The monthly sales volume of stores in the chain should be roughly half a million kroons.

Kütt noted that the stores of the Edu chain will remain in the possession of local consumer unions, but ETK will enter cooperation agreements with them. Supplying this chain of stores will be the task of ETK's wholesale division.

Currently, there are more than 1,000 retail enterprises within the ETK system, and their combined sales volume for this year should be 1.3 billion kroons.

#### **Competition Does Not Reduce Markup**

Leev Kuum said that the commercial markup of stores has gone from the state-regulated 8 percent up to 25 percent, 10 percent of which is spent on the store's general expenses, and 5 percent for salaries, leaving a 10 percent profit for the store. Out of the earlier markup, roughly 2 percent went for salaries, leaving 1 percent of the volume for profit. With the present markup, due to higher salaries and higher overall expenses, the stores can also offer better service to their clientele.

The Institute for Economic Forecasting has not done a special study on customer satisfaction with the level of service at the stores but, based on personal experience, Kuum thought that the level of service at the stores has gone up considerably. Legal problems relating to consumer protection still need to be resolved, but the commitment of the stores to sell and their willingness to act on it is becoming visible in our commercial enterprises.

Stronger competition, Kuum thinks, will not result in reduced markup or the dropping of price levels in the retail trade. Changes, however, will begin to take place in the internal structure of markup, with the profit portion going down, and the expense portion going up, which impacts directly on improving service to customers. In the Western countries, it is quite normal for the handling cost of goods to amount to half of their production cost.

Raivo Kütt added that advertising will be playing an increasing role in the development of commerce, which will run up the cost accordingly. Besides, the purchasing power of people will also be going up, and the merchants will try to take advantage of it.

Kütt also said that, in the future, markup will probably become more differentiated, varying for different types of merchandise. Perfume sales, for example, are very rare, but a large sales volume can be reached by markups up to 80 percent.

For the year of 1994, Kuum projects Estonia's trade volume in kroons to increase by 25 to 30 percent, and be in the range of 9 to 10 billion kroons.

The fastest increase of sales volume will probably be noted for garments (30 percent), technical goods (except cars) 25 percent, and food items 20 percent.

Raivo Kütt remarked that in Estonia's retail trade, most of the merchants will probably be operating on their own for some time to come. Establishing retail chains would require having one's own wholesale operation and, besides ETK, there are only two or three other wholesalers capable of starting their own chain. Creating retail chains through mergers of independently operating merchants is probably still a long way off for Estonia.

A few years from now, Kütt said, there will be two or three big wholesalers left on the Estonian market. The rest of the businesses will either leave the market or become local middle-men or importers of some particular item.

## LITHUANIA

### Government Passes Legislation To Benefit Foreign Investors

944K0526A Moscow MOSCOW NEWS in English No 49, 3 Dec 93 p 9

[Article by Yuri Lyashov: "Lithuania Extends Benefits to Foreign Investors"; first paragraph is introductory paragraph]

[Text] The Seimas (parliament) and the government of the Republic of Lithuania have adopted a package of legislative acts regulating the sphere of foreign investments.

The attraction of foreign capital has been found to be a boon in Lithuania, and in the new legislative acts the republican authorities envisage a number of benefits for foreign investors. Thus, if a joint venture is instituted—or investments are carried out in any other way—until the end of this year, then part of the profit amounting to the share of the foreign investor will for five years be levied with a tax decreased by 70 percent. True, on the condition that it has not been used for the payment of wages. On the expiration of five years this tax will for another three years be 50 percent less than usual.

If a JV is instituted or the investments of foreign capital are made in the course of two subsequent years—i.e., from January 1, 1994, to December 31, 1995—the share of the foreign investor's profit will for a whole six years be levied with a tax diminished by 50 percent.

The dividends received by foreign investors in Lithuania will in general be tax free. Not liable to taxation will also be their profits repatriated abroad. Moreover, it will be possible to do this in the shape of goods and services purchased on the domestic market.

Under Lithuania's laws, it is not only juridical but also persons of other states, as well as persons without a citizenship permanently residing abroad, that are recognized as foreign investors. The latter category is granted the same benefits, which may present an interest to some inhabitants of the republics of the former USSR.

The decisions on the foreign investments of up to three million dollars are taken by Lithuania's Ministry of the Economy. For making investments in state enterprises enjoying a monopoly position on the Lithuanian market there is already a need to obtain a permission from the government. Considered to be a monopoly owner is an enterprise manufacturing at least 50 percent of the products made in the republic, and the government has even approved a list of enterprises whose controlling interest can be purchased solely with its permission.

Enterprises run with the participation of foreign capital and instituted as joint-stock companies may be registered on the list of Lithuania's enterprises solely after the payment by all founders of initial fees to the tune of at least a

quarter of the nominal cost of the shares. The remaining fees must be paid not later than in the two years after the registration date.

The term of the leasing of land by foreign investors may be as long as 99 years with the priority right of its prolongation. The size of the rent to be paid for the plot of land is not liable to be changed throughout the term when the lease is in force unless, of course, it envisages something different.

It is noteworthy that Lithuania's legislation envisages guarantees for foreign investors. The losses sustained by them as a result of actions by the republic's state managerial bodies and officials must be fully compensated on the basis of the international law norms. And the disputes on foreign investors' rights or legitimate interests being violated may be considered by the courts not only of the Lithuanian Republic, but also by foreign or even international agencies.

### Denmark Promises Further Assistance in Environment, Energy

944K0526B Vilnius LITHUANIAN WEEKLY in English No 48, 3-9 Dec 93 p 2

[Text] Denmark's Energy Minister Jann Sjursen expects further development of friendly relations with Lithuania. According to the minister, Denmark gives priority to relations with the Baltic States.

"We will continue to support Lithuania politically, morally and economically," said the Danish official at a press conference in Vilnius on November 25.

The Danes have already rendered assistance to the Lithuanian economy totalling around 20 million Danish kroner. This week they brought a package of new projects to Vilnius. Lithuanian Energy Minister Algimantas Stasiukynas called the latest program a new impulse in Denmark's determination to co-operate with Lithuania.

The current visit of the Danish Energy Minister is aimed at environmental protection, energy saving and efficiency programs. Lithuania is interested in studying the Danish experience in supplying and saving heating energy.

On November 27, Mr. Sjursen visited the Ignalina Nuclear Power Plant and the Moletai region, where a boiler-house, using local timber waste, is about to be assembled. The modern boiler-house was donated by the Danish government.

### Parliament Chairman Urges Referendum on NATO

944K0526C Vilnius LITHUANIAN WEEKLY in English No 48, 3-9 Dec 93 p 2

[Text] Parliament Chairman Ceslovas Juršenas has advocated a national referendum to determine Lithuania's future relations with NATO. Neither the president nor the parliament should decide whether Lithuania should join NATO. It must be done by the nation, he said.

According to the chairman, Lithuania would limit its sovereignty by joining NATO. Therefore, it should hold a referendum like some Western countries did before joining the Maastricht Treaty, the parliament chairman noted.



In addition, the NATO-option should be co-ordinated with the national security plan and discussed in the context of Lithuania's entire foreign policy. Mr. Jursenas suggested the parliament hold an extraordinary meeting before Christmas or in early 1994 to discuss the problems.

### **Russians Hand Over Last Military Facility to Lithuania**

944K0526D Vilnius LITHUANIAN WEEKLY in English  
No 48, 3-9 Dec 93 p 2

[Text] On November 26, the last Russian military item, the ammunition depots in the Radviliskis district, was handed over to Lithuanian authorities.

### **Conscripts Found Unfit for Military Duty**

944K0526E Vilnius LITHUANIAN WEEKLY in English  
No 48, 3-9 Dec 93 p 2

[Text] Only about 36% of the 11,000 youths called up for military service this fall were not physically fit enough to join the Lithuanian army.

### **Status of Lithuania's Light Industry Examined**

944K0526F Vilnius LITHUANIAN WEEKLY in English  
No 48, 3-9 Dec 93 p 4

[Article by Vidmantas Viksraitis, director general of the Association of Light Industry Enterprises of Lithuania: "A Glimpse into Lithuanian Light Industry"]

[Text] The light industry is one of the oldest and most developed industries in Lithuania. At present, about 100 large- and 5,000 small-scale enterprises belong to the light industry, with over 140,000 people employed in them. Its production accounts for 26% of the total industrial output of Lithuania with textile, knitwear and sewing industries predominating.

Likewise the whole national economy, Lithuanian light industry faces a critical economic situation in the transition process to a market economy. During the first years of independence, the output of light industry went down slower than that of other industries. This was determined by several factors. During the last decade, about 70% of obsolete technological equipment was renovated by modern Western machinery. In principle, the previous contacts regarding purchase of raw materials and sales of products have been retained. Experienced managers and high-skilled specialists have not been replaced in respect to a new political situation.

The reasons behind the general decline of industrial production which recently became especially evident (high prices for raw materials and energy resources, unsettled interstate payments and an artificially high exchange rate of the litas against the dollar) have considerably weakened the state of light industry enterprises as well. During the last nine months, sales of light industry products in Lithuania, Estonia, Latvia and the CIS countries have dropped significantly. In spite of this, the first positive steps in co-operation with Western states can be observed. During the three quarters of 1992, 56% of light industry goods were sold within the republic, 39% in Estonia, Latvia, Georgia and the CIS countries. Only 5% were sold in Western countries in 1992, while during the last nine

months of 1993 the sales of textile and knitwear products in the amounted to 17.2%. A considerable increase in sales has been observed over the latest few months. Thus, 2.3 times more textiles and knitwear goods were sold to Western countries in September compared with August.

This is primarily due to a consistent and purposeful work of light industry enterprises in seeking for contacts with Western partners. They have established ties with reliable partners in Germany, France, United Kingdom, the U.S.A., Japan, Belgium... These contacts are helpful in purchasing technological equipment at lower prices and they result in a higher quality of products. Managers of light industry enterprises understand well that with no sales agents in one or the other country exports to the West are actually impossible. The Lithuanian enterprises have concluded co-operative contracts with sales agents in almost all Western states as well as in many Asian and American countries.

It should be noted here that over 90% of light industry enterprises have already become joint-stock companies.

The Association of Light Industry Enterprises of Lithuania has made a considerable contribution to the promotion of trade links with the Eastern and Western partners. At present, it includes 87 state, joint-stock and individual companies with about 100,000 workers employed in them. During this year alone, on the initiative of the Association over 80 managers and specialists of light industry enterprises participated in the fifth and sixth Leipzig fashion fairs as well as in the trade fair "Recontres Partenariat" in Paris and the international exhibition of fabrics "Interstoff" in Frankfurt am Main. Commissioned by the Economics Ministry, the Association has recently organized the presentation of the Lithuanian industry and business in Odense (Denmark).

The Association invites foreign companies and private firms to get acquainted with Lithuanian light industry in the following forthcoming exhibitions:

- CEETEX'94 (England)—technology and investment (May 9-12)
- EXPORTEUR'94 (France)—exhibition (June 15-17)
- INTERSTOFF (Germany)—fabrics fair (October 25-27)
- DIUSSELDORF (Germany)—fashion fair (March 6-8)
- HELSINKI INTERNATIONAL FASHION FAIR 11/94 (November 21-23).

If you are interested in establishing cooperative relations with the Association of Light Industry Enterprises of Lithuania, please contact:

ALIEL, Saltoniskiu 29/3, 2677 Vilnius, Lithuania; Tel: (370-2) 75 18 77; 35 13 23; 73 83 39; Fax: (370-2) 35 11 75

### **Opposition Urges Immediate NATO Membership**

944K0526G Vilnius LITHUANIAN WEEKLY in English  
No 49, 10-16 Dec 93 p 1

[Text] Lithuania should officially ask for membership in NATO without any delay, said opposition MP Gediminas Vagnorius at a press conference on December 1.

According to Mr. Vagnorius, the leader of the Conservative Party, refusals to make an official request for Lithuania's membership in NATO and attempts to negotiate with Russia over military transit are the most scandalous facts in Lithuanian foreign policy this year.

He also sharply criticized Chairman of the Parliament, Ceslovas Jursenas, who said that NATO membership would limit Lithuania's sovereignty and who indicated the need to hold a referendum on the issue.

### Gyls on 'East-West Balance' in Foreign Policy

944K0526H Vilnius LITHUANIAN WEEKLY in English  
No 49, 10-16 Dec 93 pp 1-2

[Interview with Povilas Gyls, Lithuanian minister of foreign affairs by Romanas Miliuskas: "Let Us Maintain Civilized Relations"]

[Text] *After your last month's visits to the East and the signing of a package of agreements with Russia, the East-West balance seems to have been achieved in Lithuania's foreign policy. Some politicians fear rapprochement with the great Eastern neighbour. Does this correspond to reality? Is it right to use the term "balance of interests" in this case?*

As is known, politics involves many different aspects: foreign affairs, diplomatic, economic, cultural, humanistic, global, ecological, etc. All these aspects as well as territorial and geographic ones should be balanced. And that is, in my opinion, the major goal of the present Lithuanian government. This is not an easy task for a young diplomacy: even more experienced diplomacies sometimes fail to do it.

Although the opposition tries to deny it, I think we have already made some progress in this sphere and, primarily, in reducing political friction with our Eastern neighbours. I mean first of all Russia: we signed about ten agreements during Mr. Chernomyrdin's visit to Lithuania. I also have in mind our relations with Belarus, the Ukraine and Kazakhstan. We hope, the list will be lengthened in future.

We have serious interests in the West as well. We have discovered there many new things we didn't know before. But I should say we are also finding the East anew. Previously, we had quite different relations with the Eastern countries since all of us were a part of the Soviet system. At present, we are partners.

*During the first year after the restoration of Lithuania's independence, political motives predominated in our sphere of interests. At the moment, economic ones seem to have come to the fore. Is this so?*

That's right. At the beginning of my term in office I was criticized sharply for my emphasis on economic aspects of foreign policy. I still adhere to my previous opinion. We cannot neglect economy in politics. Economy is not a dominating factor in politics but still it plays an important role. I believe Lithuania's trade and other relations with all political partners will further strengthen if nothing happens in future.

*What do you mean by your last remark?*

Unfortunately, the situation on the continent is unstable. There are several hotbeds of conflict on it.

*Didn't you have in mind the economic catastrophe the rightist opposition sometimes forecasts for Lithuania?*

In my opinion, an economic catastrophe could be caused by a political one in case we decided to resume confrontational policy in the region. I think we have already finished this kind of politics, or, to be more precise, we are out of the era of confrontation. And God forbid to have it back. We should continue the development of civilized relations among countries.

*Lithuania has large emigre communities scattered all over the world. Could they be the third force in helping us to overcome a political and economic instability? How better could we use their assistance in our foreign affairs and diplomacy?*

Yes, there are many Lithuanians abroad. We can meet several thousand of them even in Siberia. They found themselves there brought by different causes: deportation, the wish to elude the past, the search for happiness or the whims of fortune. Generally speaking, during the three years of our independence, all the former governments were ineffective in dealing with the issue of Lithuanian expatriates. To tell the truth, personally I was surprised to see unskilled, even adventurously-minded people sometimes with Lithuanian names coming to our country. We were blind enough to treat them as experts. Now we are more careful.

On the other hand, Lithuanians abroad and their organizations should be more helpful in nominating people who could be most useful to our state. There are many spheres in which Lithuania lacks experience, for instance, international business relations. There are educated and experienced people among emigrants who could assist us in working more effectively with the World Bank, GATT, the European Community and other worldwide organizations. To find such people is one of our most important tasks. We will use our embassies in solving this problem. We expect Lithuanian communities abroad to be critical and strict in nominating such specialists.

*The new year of 1994 is approaching. May we hope, that it will be more successful to Lithuanian's diplomacy?*

If we succeed in maintaining stability in Lithuania and if the international situation is peaceful, Lithuanian diplomacy will be able to advance in firmer steps. We will be more secure...

*In relations with our neighbours as well?*

Of course. In the near future, we shall resume negotiations with Poland which were broken off because of elections and formation of the new government there. We are ready to be active. On the whole, I dare evaluate the current international situation positively. The Russian Army has left Lithuania and a psychological atmosphere with our neighbours is friendly. This creates favourable preconditions for economic and other relations.

*Thank you for your time.*

**'Fast-Track' Privatization Plan To Be Tested**

944K0526I Vilnius LITHUANIAN WEEKLY in English  
No 49, 10-16 Dec 93 p 2

[Text] The results of privatization for hard currency since August 1992 indicated each litas, received for privatized state property in Lithuania, earned US \$5 to the state and should attract 24.4 dollars in investments.

35 units were sold for US \$19.725 million over the 15 months. The face value of the property privatized is US \$4.424 million.

Lithuania will continue to follow the present model of privatization for hard currency; it is slower but more profitable, said Arvydas Darulis, head of the Economics Ministry's Privatization Department. A new, accelerated privatization method, slightly resembling the Estonian one, will be tested in Lithuania in the near future, he said. The so called Fast-Track privatization plan is currently under preparation in collaboration with consultants from the EC PHARE program and the international consortium Roland Berger and Partner GmbH.

According to the program, ten to twenty strategically insignificant enterprises will be chosen for privatization and presented in a single list. The list is most likely to include several hotels, restaurants, huge shops and small industrial companies. The terms of privatization contests will be much more liberal compared to the present ones which limit participation of foreigners. Mr. Darulis noted greatest advantage the fact is of the program that foreigners will be able to privatize property fast and without any major hindrances. The method is expected to attract more foreign investments.

**Wave of Emigration Continues**

944K0526J Vilnius LITHUANIAN WEEKLY in English  
No 49, 10-16 Dec 93 p 2

[Text] A migration tendency in which emigration prevails is still dominant in Lithuania. Around 13,500 people left

the country and only some 2,200 came to Lithuania over the past eight months, the Lithuanian Statistics Department reports.

A majority of those leaving are Russians, Ukrainians and Belorussians. Most of the emigrants are aged 40 and over. They also include pensioners whose departure does not affect the Lithuanian labor market.

The highest wave of emigration was registered in 1992 when 22,200 people left the country. Among the 13,500 emigrants of this year, 550 people were Lithuanians. Around 30% of them went to live in the West. Around 800 Lithuanians came back to their homeland, mainly from Siberia, northern regions of Russia, Kazakhstan, Ukraine, and Belarus. Approximately the same amount of Russians, descendants of mixed families of deported Lithuanians and locals, have decided to come and live in Lithuania.

The state covers traveling expenses for ex-political prisoners and exiles. These people also have the right to participate in the privatization of state property and to get housing on preferential terms.

**President Dismisses National Security Advisor**

944K0526K Vilnius LITHUANIAN WEEKLY in English  
No 49, 10-16 Dec 93 p 4

[Text] President Algirdas Brazauskas has dismissed his national security adviser, Alvydas Sadeckas, in the face of a rising crime rate in Lithuania.

Mr. Brazauskas' chief aid, Raimundas Rajeckas, claims the discharge is a considerable loss. Mr. Rajeckas, who is also the chief of the president's staff, said Mr. Brazauskas did not consult him before making the decision.

Mr. Sadeckas himself declined to comment on the president's move. He only remarked he felt responsible for the events and processes going on in Lithuania. He also asked reporters not to interpret his dismissal as a sensational news.

Mr. Sadeckas held various posts at the Interior Ministry until last year. He was relieved of his duties on allegedly direct instructions of the then Prime Minister Gediminas Vagnorius.



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